ANCEMENT OF MANAGE

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FORMERLY MODERN MANAGEMENT

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Effective Top Management Techniques

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FEBRUARY 1950

"The Sacred Groove"

ASK any American management man, and he will tell you that all he wants is an opportunity to show what he can do. Few lack confidence in their ability to produce. Why is it then that some are successful and others are not?

It is largely a matter of making the most of each opportunity as it presents itself. Success in my book must be measured in terms of what a man knows; in terms of his true character; in terms of his ability to think through a problem in an organized fashion and come up with a sound conclusion; in terms of his leadership ability, the effect which he and his life have on others.

Of these requisites basic to the success of a manager, none is so important as his leadership ability. This is true of professional managers from all functions and all levels of management. It is just as true of the engineer, the controller, and the production manager as it is of the sales manager, the personnel man, and top level management. It is the job of each professional management man to develop morale and teamwork, and this means in essence the development of cooperation to the highest possible degree.

I believe that people generally want to cooperate. The idea that people want to cooperate seems somewhat strange to us in these days of troubled relations in the home, in business, in the community, in the nation, and internationally. Remarkable as this idea may seem, it is true. People naturally want to cooperate, if we do not put obstacles in the path of their cooperation. People want to cooperate because the satisfaction of the social desires which motivate people requires cooperation. The human race has reached its present high level through cooperation. Our social system, our economic system, and our political system in the United States all depend on the active cooperation of people. Business and industry prosper only through cooperation. We participate in, or follow closely, sporting events which involve team play —the essence of cooperation.

In fact, our whole social life is based on cooperation. When people fail to cooperate, it is because those in positions of responsibility make it difficult for them. Individuals in positions of leadership, in the nation, in the community, and in individual businesses must make it easy for people to cooperate. The confidence of a supervisor in his employees at each organization level begets employee confidence in the supervisor; supervisory performance encourages employee performance; supervisory loyalty is magnified in employee loyalty; supervisory cooperation yields employee cooperation. Cooperation depends on leadership not "pushership."

The job of the supervisor is to make it easy for people to cooperate. Our ablest and most outstanding leaders in the fields of techniques and methods have learned that no matter how fine the technique or method, a method alone will produce nothing. It cannot be forced. People must *will* to make it work or it will be useless. This is a job for leadership.

Leadership potential must be developed to the fullest. Leadership, the effective practice of human relations, is not just for the other fellow—it is for each of us to practice and to do. If a manager is to be a professional, he must be a leader in the full sense of the word.

One of the greatest assets of a leader is his ability to look ahead and devise a course of action which will make possible the attainment of objectives. The ability to look and plan ahead is a basic requisite of leadership. It requires intelligence, analytical ability and courage. It implies openmindedness and a willingness to change from old ways to new when indicated.

The poem quoted below illustrates the point and is repeated here at the request of members and friends of S.A.M. who have heard me use it this year.

DILLARD E. BIRD

THE CALF PATH

One day through the primeval wood
A calf walked home as good calves should;
But made a trail all bent askew,
A crooked trail as all calves do.
Since then three hundred years have fled,
And I infer the calf is dead.

But still he left behind his trail,
And thereby hangs my moral tale.
The trail was taken up next day
By a lone dog that passed that way;
And then a wise bell-wether sheep
Pursued the trail o'er vale and steep,
And drew the flock behind him, too,
As good bell-wethers always do.
And from that day, o'er hill and glade,
Through those old woods a path was made.

And many men wound in and out,
And dodged and turned and bent about,
And uttered words of righteous wrath
Because 'twas such a crooked path;
But still they followed — do not laugh —
The first migrations of that calf,

And through this winding wood-way stalked
Because he wobbled when he walked.
This forest path became a lane
That bent and turned and turned again;
This crooked lane became a road,
Where many a poor horse with his load
Toiled on beneath the burning sun,
And traveled some three miles in one.
And thus a century and a half
They trod the footsteps of that calf.

The years passed on in swiftness fleet,
The road became a village street;
And this, before men were aware,
A city's crowded thoroughfare.
And soon the central street was this
Of a renowned metropolis;
And men two centuries and a half
Trod in the footsteps of that calf.

Each day a hundred thousand rout
Followed this zigzag calf about
And o'er his crooked journey went
The traffic of a continent.

A hundred thousand men were led
By one calf near three centuries dead.
They followed still his crooked way,
And lost one hundred years a day;
For thus such reverence is lent
To well-established precedent.

A moral lesson this might teach
Were I ordained and called to preach;
For men are prone to go it blind
Along the Calf-path of the mind,
And work away from sun to sun
To do what other men have done.
They follow in the beaten track,
And out and in, and forth and back,
And still their devious course pursue,
To keep the path that others do.
They keep the path a sacred groove,
Along which all their lives they move;
But how the wise old wood-gods laugh,
Who saw the first primeval calf.
Ah, many things this tale might teach —
But I am not ordained to preach.

SAM WALTER FOSS—1895

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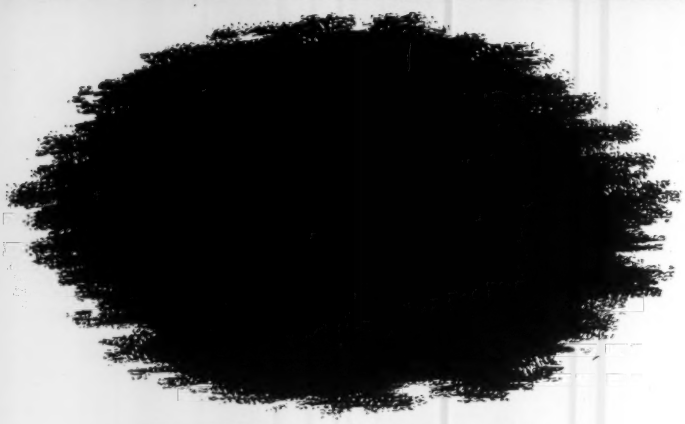


By **WILLIAM B. GIVEN, JR.**
President, American Brake Shoe Co.

Releasing initiative and ideas calls for special effort. It pays two kinds of dividends:—the intangible, yet valuable one, of job satisfaction; and the practical one of superior results.

"Complete, frank discussion is encouraged . . ." Mr. Given at Information Center Meeting, emphasizes exchange of ideas.

A MAN'S work — his job — is by far his most important investment. In it he is investing at least half his waking hours. It furnishes his livelihood; and it is the door to his own and his family's future.

Bottom-Up Management aims to add dignity to a man and his job by encouraging in him a stimulating feeling of personal freedom to initiate and act. It is based fundamentally on the practice of listening to all people—down as well as up the line. Its success depends on the combined success of all people in the company. Its aim might more simply be summed up as building individual and company security by encouraging "people working together."

Often people ask what prompted Bottom-Up Management. How did the idea originate? Returning from a two-year war service absence in 1919, I was advanced to a position of responsibility beyond my experience. Gradually one subsidiary, then another, was assigned to me for overall supervision. In each case I lacked specialized knowledge.

To succeed, it was necessary for me to try to help in the development of the individuals who headed these companies and that meant to give them as free a rein as possible. Gradually more and more the initiative flowed up, less and less from the top down.

OPENING THE DOOR

As years ran on, it became increasingly apparent that this was the best management policy for the company. More and more all the seniors put pressure on bosses under them to grant greater authority to men in lower ranks —to open the door to fuller freedom of expression and initiative.

Some management people didn't believe in or else couldn't work well under such a policy. This resulted in some eliminations.

Gradually a philosophy of maximum freedom evolved. We found ourselves moving away from conventional top-down management. We have been moving in that direction ever since.

Under Bottom-Up Management the chief executive makes clear the objectives, discusses the possible courses, and discusses with and advises the organization as to changes in the course. He tries, and more and more others in supervision do also, to release the initiative of each person in the organization so that his ability and initiative can be put to the greatest possible use to make a better company. The combined objective is to make each worker as useful and valuable to the business as possible—to sincerely seek ideas from down the line—ideas to improve products, to effect savings in money, motions, or materials, to improve working conditions, in short to make a better and more prosperous company.

The installation of Bottom-Up Management must start with the careful review of men to put in positions of authority. Its success depends upon careful and intelligent selection of subordinates all along the line. Each executive must be taught how to select his head men and train them to carry greater authority and heavier responsibility than are normally given to men in their positions. Each executive must keep sustained interest in, and continuous analysis of, the men who hold boss positions under him. He must not shrink from eliminations if these men do not measure up after being given every opportunity. He must have an "obsession" for seeing to it that the "right" kind of people are on the company's payroll.

When people down the line are to accept more responsibility—to develop their initiative—they must have the necessary freedom to attempt new things. Bottom-Up Management encourages a feeling of personal freedom—freedom to think and plan boldly; freedom to venture along new and untried paths; freedom to fight back if ideas or plans are attacked by superiors; freedom to take calculated risks; freedom to fail.

The most important is freedom to fail. When a man is free to fail, he is more likely to try things on his own. If, however, his failure is always punished, freedom to venture and take calculated risks has little effect. It does not matter what form the punishment takes; it can be a raised eyebrow or a sharp tone of voice just as well as dismissal or failure to promote. The point is that the man who is encouraged to take risks must know that failures of an idea or project will not draw criticism or derision. This does not mean that he can fail consistently and still continue enjoying man-

agement's confidence. But it does mean that a certain number of mistakes are taken for granted and experience shows that, in the long run, they are less costly than under a dictatorial form of management.

By way of example, in our company each superintendent, assisted by one or two of his supervisors, negotiates his own union contracts. He gets what help he requests during a negotiation. Having personally negotiated the contract terms, there is a better understanding of them and a keener sense of responsibility for the subsequent events. This system increases the importance of the superintendent's position and builds and broadens him as a man and a manager.

Acceptance of the right to fail tends to eliminate the frustration that stifles an organization and often turns men into mere cogs with no sense of individuality and no incentive to think or plan beyond the day's work. Men seem to venture with even greater determination to win when the long-odds chance is their own idea and when, in spite of the skepticism of their superiors—and sometimes because of it—they are free to test their own judgment.

In this freer atmosphere, men learn quickly to recover their poise and confidence when they make mistakes. They do more thorough thinking and sounder thinking, since their thinking turns into action and action into accomplishment.

EXPLORING FOR NEW PRODUCTS

In our business many mistakes and failures occur in deciding about new products. We are seeking to broaden our product lines. Though often ideas for new products come from our Research Center, more come from the constructive suggestions and keen interest of individuals at various management levels in the company. To stimulate such contributions, we encourage Divisions to venture into fields as explorers searching for new company opportunities. Thus, hundreds of people are looking for new products which fit either our production equipment or markets. They are anxious to pass on their suggestions. Those in responsible positions sometimes test their ideas on a laboratory scale without advance approval. Many ventures have failed. A few succeed. But the net result to date has been on the profit side.

If management is to give such freedom—workers must be taught, not told. The training of men so that they can climb higher and higher in their life work is one of the primary objectives of Bottom-Up Management. Every manager's conception of his job should be to help—to teach and lead—each person under him to do his best, with a clear understanding of the part he is expected to play. This requires an educational rather than dictatorial approach.

The soundest teaching method is the exchange of ideas with those under you. This draws them out, stretches their minds, and gives them a realization that they are part of the management. If a boss can successfully teach the men under him to qualify for higher and higher places, he will be doing a building job, and growing in stature himself—preparing himself for a bigger job. A business can grow only as the men in it grow.

To teach well, not only must a manager have experience and knowledge to start with, but both must increase daily. Like a schoolteacher, he must keep ahead of his students. If he overlooks the need of understanding details, he is hardly qualified to discuss ideas with company people in any rank. This means he must have a good working understanding of what is going on at the bottom of the business.

In any discussions, there must be no fear in the worker's mind that the man above him will, either then or later, make him appear ridiculous by quotations or comments. Nor must there be any hesitancy on the manager's part to throw into the hopper of discussion any thoughts that come to him, even the seemingly most impossible ideas. This stimulates freedom of thought and expression on the subordinate's part. Failure comes when either one hesitates because he feels that if he ventures some extreme suggestion, it may be used against him later.

There is no point in denying that time and again in our own business, knowing full well the obvious value of exchanging ideas, we see bad examples of merely "telling" rather than teaching. But we find that it is worth all the patience it requires in the busy progress of the day's work, at every management level, to teach rather than tell.

CONTACT WITH REALITY

One teaching method we use for the education of the officer group may be of interest. From time to time eight or ten of the younger men who have completed their apprenticeship courses and have had a year or two in sales, operating or purchasing, are invited to the New York Office for a series of three or four sessions. At their first meeting a company officer, usually the President, explains briefly that they have been called together in the hope that as a result of their group discussions, criticisms and suggestions based on their individual experiences with the company can be relayed anonymously to management.

They are told quite sincerely that no holds are barred. The officer attends only the first session. After a series of follow-up meetings the group submits to management the minutes of its discussions. Results to date have been most helpful. We have learned of many faults.

THE SPIRIT OF FREEDOM

How is the chief executive to know how much progress toward bottom-up management is being made?

Over the long pull he can measure the success by developments within the business—growth is of itself no yardstick of success. Currently he can sense it in the spirit of freedom among its people. For instance, when he is wandering around a plant, talking with workers, it has more than passing significance if a molder, a die-sinker or a machinist proudly tells him: *"The boss is letting me try a new way."* He senses the satisfaction that worker gets at home in telling how he has been allowed to try out an idea of his own. As he talks at the supper table, it is *"his"* plant, *"his"* company, just as it is *"his"* family, *"his"* home.

When the night watchman tells with pride how he suggested changing three clocks to their new places; when a su-

SELF-PORTRAIT OF A MANAGEMENT TECHNIQUE

(Reproduced from "Forty-Seventh Annual Report" — American Brake Shoe Co.)

	Net Worth	Sales	Earnings		Total Payrolls
			Before Taxes	After Taxes	
1939	$28,247,575	$24,601,796	$2,511,173	$2,121,173	$8,137,277
1948	$59,990,955	$120,190,784	$8,184,317	$5,184,317	$35,875,056

perintendent breaks all rules to take care of a customer's critical shortage; when a purchasing agent pays a source more than the contract price to adjust the seller's error in estimating; when someone in the medical department spends a considerable sum to get a private room and the best possible surgeon for a serious operation on a machinist's wife; when managers all down the line take authority and act in their own right and on their own initiative—when these things take place, then the chief executive knows he is making progress in practicing Bottom-Up Management. In such cases generally the taking of authority beyond any possible standard has proved of important value.

The division or department head can judge his success much the same way. He can note the overall progress of his division or department; the interest of his people in their work; the number of suggestions they make and the amount of initiative they show.

Almost every day examples come to light of the constructive thinking and acting of our employees. Awhile back, a man at our American Manganese Steel Division plant in St. Louis suggested the construction of a new screen or "scrap-catcher" to help save manganese steel scrap. The screen was constructed under the discharge of the refuse sand hopper where it now catches small spills, sculls and shop wedges. This idea has proved important, so much so that it has cut waste and has effected substantial savings in time, money and labor for the plant.

The Cleaning Room Foreman at one of our Midwestern plants designed a special turntable fixture to rough-grind the inside of bowl liners and mantles. This operation was formerly done by suspending the casting from an overhead crane. The new arrangement provided a better and safer position for the operator, released the crane for other work in the plant and saved time on each job.

Freedom of spirit among employees in a business does not come easily. Top management must first prove its sincerity in wanting its people to speak out, suggest, criticize, to initiate—yes, and to take chances of making mistakes. When it does, Bottom-Up Management shows up in the greater pride workers take in their work — in their faces and their attitudes toward their jobs and the company.

LINKING EMPLOYEE AND EMPLOYER

Where Bottom-Up Management is successful, there is the feeling that the security of each individual employee is bound with the company's security. To illustrate: A worker had a very serious operation for gastric ulcers in the fall of 1947. Blood donors were lined up and, when an emergency call came in during the operation, our nurse took the donors to the hospital. Later she saw to it that the man's family had a basket for Thanksgiving. She arranged for an extension of credit by the hospital when the man was released. Local helpfulness in this case won the greater confidence in Brake Shoe. Even more important, everyone in the plant knew of his trouble, and better understood our sincerity in saying that the security of the company depends upon the degree of security we are able to provide each employee.

NO SHORT-CUT ON MAGIC

The reader must not gather that the "bottom-up" type of business administration can be loose or uncontrolled, nor does it always run smoothly. Bottom-Up Management can be, indeed must be, more tightly knit than top-down management; it must have capable leadership and be certain of achieving concerted action whenever required.

Under such management the successful executive may actually work harder than under top-down management, for no matter how skillfully organized such management may be, it will not carry on of its own momentum. It needs never-ending attention and guidance.

Bottom-Up Management doesn't work like magic. Sometimes it fails and a top-down push is needed. This is because individuals fail to understand and to accept the responsibility that goes with making such a management possible. This recently happened with our company's supervisors training program. Everybody gave lip service to the need for better foreman understanding of the company, its objectives and how it planned to accomplish them. Yet little had been done. So headquarters took over the responsibility—temporarily.

We have been holding a series of supervisors' information meetings to which each of our divisions have been sending foremen and chief clerks each month from their plants all over the country. There has generally been only one representative from a plant at the same meeting. Already we have held twelve of these four-day conferences at which the seventeen department heads from headquarters in New York explain their part of the company and its workings to those present. The President and First Vice President discuss overall policies with the men, the reasons behind them, and long-range company planning in general. Complete, frank discussion is encouraged on all company matters. Many questions are asked. So far the results have been gratifying. The men who have attended conferences have left knowing just about as much about their company as the general management itself knows. They are better equipped to function much more effectively in their jobs, and to pass on their new knowledge and understanding of the business to those down the line. They leave understanding that this last is a definite and important part of their responsibility.

LONG-TERM EFFORT LEADS TO REWARD

It would be a serious error to look upon Bottom-Up Management as a neatly packaged technique that can be adopted and put into practice tomorrow morning in any business.

It is based on faith rather than on a formalized set of policies and methods—faith in right people working together. It encourages men to share the responsibilities of management with both those above and below them. It stimulates employees to challenge, discover, create, decide, initiate, in the interest of greater security for the business and thereby for themselves. Finally it provides a clearly defined aim for all to work to, in the interest of understanding and progress.

While it is not a management technique which can be installed like an efficiency system, its basic philosophy can, I believe, be adapted to any type of business whose management is in sympathy with its objectives. It will have to be worked out on a trial-and-error basis over a period of years; but I am convinced, from our company's experience, that the rewards will justify the effort. It cannot include in management positions any people who do not believe in its purpose.

Putting the Man Into Management

by F. W. STEIN
Vice President, Manufacturing
The Standard Register Company

A long-range Management Council plan backed by careful preparation and sound administration proves its value.

THE foreman (or supervisor) has rather suddenly become quite an important cog in our industrial machine. He has been the subject of innumerable speeches, articles, discussions, books, and even Congress has considered legislation in his behalf. I even suspect that some members of top management, completely absorbed with a multitude of other problems, have recently discovered that they employ foremen.

The foreman has been referred to variously as the "forgotten man" of management, a victim of double talk, or the link between management and the worker. We are telling him that he is part of management, but, unfortunately, too often he doesn't believe it. For many years, he has been taken completely for granted.

The human relations problem in many of our industries is critical. Our entire system of private enterprise is jeopardized. In recent years, many workmen have become unreasonable and difficult to handle, and I fear that top management does not realize what a problem this has been for the foremen.

A FEW GRIPES

The foreman isn't an unreasonable individual. He hasn't too many gripes, but let us look at a few.

War Labor Board Regulations during the war froze his salary so there was little differential between him and the worker, but this has been largely corrected. More money, however, is not in itself an assurance of securing loyalty. He wants to be made to feel that he is a part of management and not just a higher-paid member of the labor force.

The status of the foreman today differs from that of some years ago when foremen were more closely integrated with top management. Technical and economic requirements have made necessary our highly-complicated staff organizations. The foreman or supervisor recognizes that in our complex industrial society the staff organization is absolutely necessary, but he does object to the staff assuming duties which he believes are rightfully his.

He believes the staff organization should be primarily an advisory group, and we can't quarrel about that.

He very often feels that the staff organization is by-passing him in issuing instructions, and he dislikes them communicating direct with his people.

Union stewards and committeemen often receive information concerning their relations with the foreman more quickly than the foreman.

Often the foreman hears about what transpired at meetings between the union and management from the steward before he does from management. Means should be provided to convey to the foremen what transpired at such meetings before the meeting is over, and before the union committeemen have had an opportunity to get back to their respective departments.

Recognizing that it is not possible to have all foremen sit in on meetings with the union, it should be arranged to have several at each meeting.

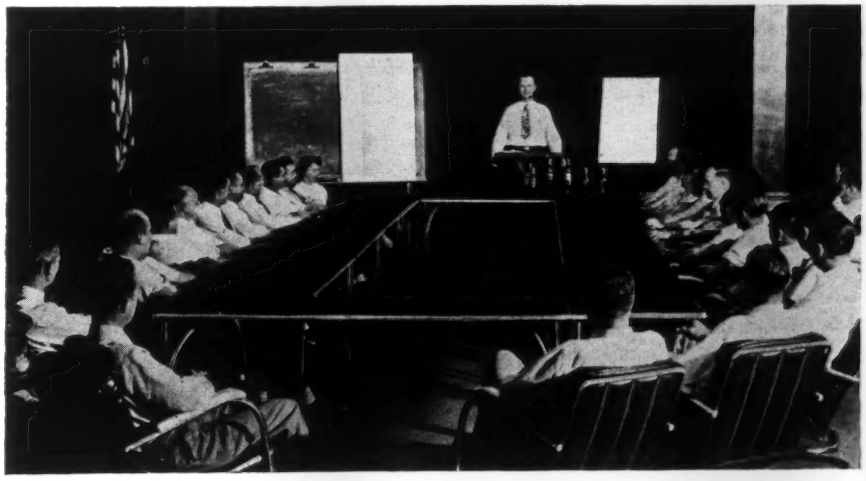
He feels he is being by-passed on grievances within his department, and he doesn't like the "deals" the Industrial Relations Department makes with the union steward.

He feels that exit interviews conducted by staff men very often don't give him a fair break, and he prefers to have his immediate superior conduct them.

Foremen training courses have been stressed to such an extent that those who have been sitting in on the training courses over a period of years feel it's about time they should be consulted rather than told.

PARTICIPATION IN MANAGEMENT

Above all, if we say he is a part of management, he wants top management to take him into their confidence and let him participate in management.



"Management by consultation . . ." The Factory Management Council.

A foreman desires to be *consulted* on all matters concerning the problems of his department. Most policies made by Top Management without consultation with the foreman or supervisor are unrecognizable by the time they reach him. How then, if it is difficult or even impossible to interpret those policies to foremen, can they in turn hope to do any kind of a job in interpreting those policies to their men?

Company policies must be made or at least defined or interpreted almost daily and the foremen must have a *hand in their making* if you want them to be properly interpreted and applied. This applies to virtually all rules, regulations, and important decisions which affect the plant as a whole.

I believe that Top Management should consult with the foreman and supervisor on the many, many problems which confront us today and after careful analyses and discussion should come to a joint agreement on what is to be done about them.

The foreman also should *be kept informed* by Top Management on other phases of the business such as, volume of business on hand, tax problems, the competitive situation, new products, sales promotion, etc. Of course, he needn't be consulted on these problems, but it's just good business to have a top executive take a little time off occasionally to tell him about these things so he will know more about the business as a whole and thus be more effective.

CONSULTATION VS. DIRECTIVES

William B. Given, Jr., in the Summer 1946 issue of Harvard Business Review says, and I am quoting, "Practical experience has demonstrated that save in abnormal cases of rare managerial genius, the cool judgment, initiative enterprise, and ideas *of an organization* produce a better result in terms of progress and profits than does the autocratic administration *of an individual*."

Management by consultation and not by directives is essential today, and it should embrace all foremen and supervisory groups, with a procedure set up whereby this will be possible. The Top Management of the groups must assume this responsibility and to it he must devote a great deal of time and effort, for this is a job which cannot be delegated to anyone.

You may be interested in how we have solved this problem in our own manufacturing organization after we came to the realization that an entirely new approach was necessary. In 1938 we initiated a Management Council plan because we were very sincere in wanting the *advice* and *counsel* of our supervisors and an opportunity to pass on to them some of our problems and thinking.

We established these few basic principles as the guiding ones in the operation of this council.

1. That men carry into action best, that which they have had a part in forming.
2. The simple principle that two heads are better than one.
3. All must be kept informed — more foremen fail from lack of information than from lack of ability.
4. That along with *participation* in Management goes *responsibility*.

Since you can't hope to get intelligent discussion and come to sound decisions if the group is not well-informed on the subject, and since men must first learn the techniques of handling a meeting and thinking collectively, we began an intensive training program two years previous to the formation of the Council. All members received basic training in conference leadership. Instead of the usual series, we conducted several. This taught them to organize a subject for presentation, talk to a group and think on their feet.

We augmented this training program with a course conducted by an outside specialist which taught them to plan, organize, coordinate, how to seek competent counsel, etc. This was followed by a very practical course in Applied Psychology using the conference method.

After two years preparation we were ready to begin the formation and operation of our Factory Management Council.

TOWARDS COOPERATION

Briefly, this Council is a plan to manage more cooperatively. It provides an avenue for frank discussion of our business position, relations with our customers, improvement of the product, the delivery situation, costs, methods improvements, relations with employees and so on and on, down the gamut of problems that beset those whose job it is to manage a business enterprise.

Members of the Council are all our Factory Department Heads, the Employee Relations Director and several specialists: the Director of Future Demands, Chief Chemist and the Special Activities Director. As head of the Manufacturing Division, I am the Chairman, and the burden of keeping it active rests on my shoulders. Our Chief Engineer, Executive Vice President and General Manager and our President attend from time to time.

Problems are presented to the Council by any of the members, and since I am familiar with Top Management problems and thinking, I bring these before the group.

Discussions are full and frank. If many details are involved in a particular problem, a staff man is asked to submit a report or a committee is appointed to

No "experting" here. A Work Simplification Group hears employee member present study of problem. Industrial Engineer and Supervisor "sit-in".

get the facts and report back to the Council. The Chairman presents his committee's findings and recommendations. Someone is sure to rise at this point and question our use of the Committee System . . . but let me say that it has resulted in getting at facts and details that we would not ordinarily get.

Since the operation of this Council, we have had more than 100 committees working on specific problems. A few of these committees are permanent, and others are dissolved after their report has been accepted by the Council and a decision reached.

The Council may decide the solution to a problem can best be reached by the Conference method, and someone is then given the job of leading a conference on the subject.

INFORMATION CHANNELS

We keep our members posted regularly by means of large charts on such matters as orders received, business on hand and shipments, average weekly payroll, percent of payroll to shipments, overtime in hours and money, raw materials and finished goods inventories, overall plant budgets, labor turnover and many others.

It is important that we also keep posted on what others are doing about specific problems of management and what new theories of management are advanced. Sources of such information are books, pamphlets, magazine articles, etc. Our Book and Magazine Committee selects these from our Management Library, and frequently some are reviewed by a member, and a discussion follows as to the value of adopting any of the ideas that apply to our own operations.

We make it a point to have the heads of our Office, Financial, Sales and Advertising Departments discuss such things as our sales and competitive position, new products, sales promotion plans, customer relations, taxation, insurance. These men are glad of the opportunity to tell the manufacturing organization of their plans, and to discuss problems with them. We do not have the sharp dividing line between divisions which is prevalent in some organizations.

While our Council meetings can be considered a continuous training program, our Educational Committee has sponsored special training programs for the members of such subjects as: Time and Motion Study, Applied Psychology, The T. W. I. courses, Work Simplification, Job Evaluation, Merit Rating, Foreman and Steward Bargaining. These are not conducted, however, during the meetings of the Council.

Our Council also selects the men to send to such meetings as the National Safety Council, Foremen's Club Convention, and they must, on their return, submit to the Council a report of the proceedings.

Our "Notes and Quotes" bulletin issued frequently contains selected items of interest from many sources. In addition, we subscribe to a weekly service of management information for each member, and often supply copies of books of interest.

Another service is our "Clip Sheet" which lists the articles, brief descriptions, and the publications in which they appeared. These are clipped from dozens of magazines by our Industrial Engineering Department, and are available on request. We make it easy for our members to keep posted.

WIDE SUBJECT RANGE

We meet each Monday at 10 A.M. for two hours, and no one is excused without the Chairman's permission. The meetings are informal and fast moving. Minutes are prepared in quite some detail so they will be of value for reference purposes.

A perusal of the eleven yearly volumes of our Council proceedings or a glance through the index would reveal to you that there is not a phase of management that we have not considered many times.

Let's look at a few of the subjects.

Aptitude Testing	18 references
Absenteeism	28 references
Advertising & Sales Programs	35 references
Medical and Accident Prevention	95 references
Operating Expenses & Budgets	Too many to count
Cafeteria & Food Service	32 references
Business Conditions	51 references
Special Committee Reports	Hundreds
Costs	Hundreds
Waste Reduction	Hundreds

Discipline, Exit Interviews, Educational and Training Programs, New Product Developments, Method Changes, Induction Procedures, Employment Policies, Job and Merit Rating, Labor Relations and Union Activities, Insurance and Retirement Programs, and so on and on. These volumes are a storehouse of information.

I have described the operation of our Factory Management Council, but I should explain we have two groups. In addition to the F.M.C. group that meets on Monday, we have the F.M.C. Tuesday's group which was formed when the original F.M.C. group became too large. It consists of other factory men in a supervisory capacity, who discuss essentially the same problems. Our General Superintendent is Chairman of this group. Our Office has an Office Management Council, under the leadership of the Office Manager, which operates much the same as our Factory groups.

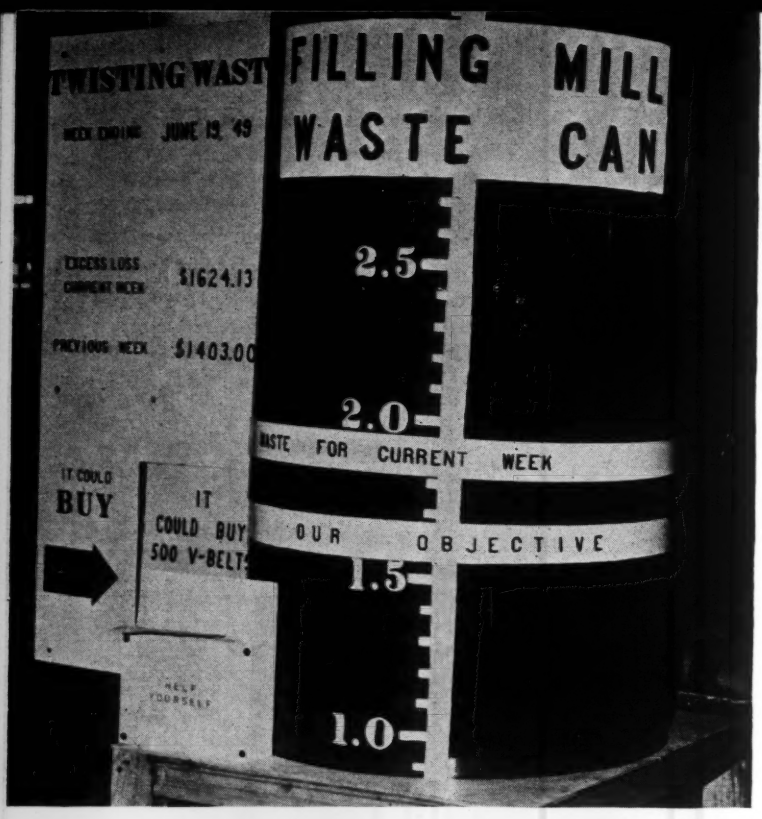
DOWN THE LINE

We have carried this idea of Consultative Management even further. In addition to the usual departmental meetings which a supervisor has with his assistants, he calls in small groups of workers selected by him, to discuss various problems, and it is amazing what contributions these groups have made toward improving the efficiency of their departments. All of our foremen and supervisors are trained in the principles of Work Simplification. Many of the group meetings they conduct are for the purpose of solving a problem through Work Simplification. In the proper proceddure, there is no "experting" by the foremen.

The employees do all the working and most of the thinking of ways to improve *their jobs*. This, of course, creates added job satisfaction for all concerned.

One of the biggest problems in industry today is to build and maintain the sincere interest of employees in their jobs. One answer we've found is to increase the opportunity for self-expression by putting the *man* into management, especially through our Management Council program.

Does all this pay? Are we getting results? The answer to both of these questions is . . . "Decidedly, YES!"



Setting Cost Reduction Goals

by **ELLIOTT I. PETERSEN**
Vice President for Manufacturing
Bigelow-Sanford Carpet Co., Inc.
New York, N. Y.

Essential element for the "will to win" is a challenging yet reachable target. This program aimed at tough but realistic results.

AFTER World War II, Bigelow, like other industrial concerns, was faced with problems of conversion. Operations; training of workers; satisfying consumers' demand; elimination of trial, error and confusion created by the war; and retaining its position in the carpet industry: all these problems were then foremost in the minds of management.

The importance of accomplishing these post-war objectives was weighed against the possibility of resultant increases in unit costs. With the accomplishment of these objectives, Bigelow, at the end of 1948, embarked upon a concentrated drive to develop a realistic program to reduce operational costs. This effort was designed to be enthusiastically accepted by the lower echelons of management. It was designated as "Bigelow's Cost Reduction Program for the Year of 1949."

SETTING GOALS AND CONTROLS

The plan was developed to increase the margin of gross trading profit by:

1. Establishing necessary goals and controls to assure
   (a) increased productivity
   (b) minimum of allowance and variances
   (c) most effective use of indirect labor.
2. (a) Reducing the percentage of reworkable and non-reworkable waste and
   (b) Increasing yields on all materials.
3. Control of quality to increase efficiency.

A cost reduction plan is like any other instrument used by management in planning future activities; it is born for the purpose of charting a course which leads to the accomplishment of an objective. It should take cognizance of all elements of costs. Our plan, however, was devoted primarily to the major elements of manufacturing costs controllable by line supervision and staff. The factors included are:

1. Productive Labor (Direct and Indirect)
2. Waste
3. Imperfects
4. Improvements in Materials Handling; Utilization of Equipment, Materials and Labor; and Work Simplification
5. Maintenance
6. Manufacturing Supplies

The 1949 program omitted important cost items of Light, Heat, and Power as Bigelow was in the process of converting its Power House from 40 cycle to 60 cycle current. However, this cost factor will be included in the Program for the year of 1950. Another expansion to the 1950 program will include forecasted goals for the General Overhead Accounts comprising such items as the departmental budgets for line, staff and service departments.

TECHNIQUES FOR SETTING GOALS

The basic problem here is to select methods of establishing goals which will obtain acceptance from the personnel and something which management can use to stimulate the supervisor's desire to meet the proposed objective. As a solution to this problem, Bigelow adopted the following techniques:

1. To project the proposed savings for 1949 on Productive Labor and Waste, the performance of the best three consecutive months of 1948 by departments was selected as goals, even in those departments beating the standard. The difference between the average monthly performance for 1948 and the goal, represented the anticipated departmental savings.
2. The broad objectives were defined to emphasize that (a) "Better Quality Costs Less" and (b) the importance of full par-

ONE OF A SERIES
OF OPEN LETTERS
DISTRIBUTED TO EMPLOYEES

**YOU ARE IN BUSINESS FOR YOURSELF
REDUCE WASTE—MANAGE YOUR
BUSINESS WELL—HELP YOURSELF!**

As a production worker you are the major controlling factor of your particular operation.

In brief, you are a business manager and your operation is your own business —to manage well or to mismanage.

High Productivity in itself is a part of good management, but High Productivity plus excessive waste entails high manufacturing costs which you as an individual business manager cannot afford.

You, as a business manager appreciate that in order to meet increasingly competitive rug and carpet prices your manufacturing costs must be maintained at the lowest possible level.

In conclusion, only that waste dictated by quality standards as inherent in your process is good management—waste in excess of this is not good management.

ticipation by all employees. Specific Quality goals were set up to provide concrete standards against which progress could be measured. They were based on the average experience for a period of at least three months in the years of 1947 and 1948, by each type weave and each type defect.

3. As an assist to increase Productivity and reduce Waste, specific industrial engineering projects were selected to be performed during the year of 1949. These projects were selected to reduce costs through Improvements in Material Handling; Utilization of Equipment, Materials and Labor, Work Simplification and Increased Incentive Coverage.
4. A goal for Maintenance which included labor, departmental expenses, repair materials and purchased services was established. The goal was predicated on a percentage of the sales value of goods manufactured.

MANAGEMENT PARTICIPATION

Having in mind the value inherent in the principle of participation as means toward cooperation, the next problem was to organize the personnel desired to carry out the proposed plan. Bigelow's Cost Reduction organization comprised the following:

1. The staff of the Vice-President in charge of Manufacturing.
2. Plant Manager
3. Superintendents, Overseers and Foremen
4. Technical Assistance from Cost Engineering, Production Control and Quality Control Departments
5. Cost Analyst

The function of the staff was to develop the program, make recommendations for the application and installation for the program, and develop the means of communication to be used for regular periodic measurement and appraisal of progress.

The Plant Manager reviewed and approved the plan. Also, at the initial meeting of the supervisors, he explained the plan in detail and the need for such a program.

Line Supervision was made directly responsible for the attainment of the proposed objectives.

Specific individuals from the Cost Engineering, Quality Control and Production Control Departments were assigned to work with each superintendent to assist in planning and obtaining the desired level of performance. The effect —the superintendent was given the services of a group which is comparable to having your own personal staff.

The Cost Analyst's responsibility was to provide necessary analyses, interpretations of operational results, uncover unfavorable cost centers, determine causes of these adversities, and recommend corrective measures.

SELLING THE PROGRAM

A conscientious line supervisor knows the importance of departmental and operational costs; also is cognizant of the adverse effect inefficiencies and waste have upon an organization's right of survival. Any managerial technique which will aid him in doing a better job of controlling these factors is usually accepted, provided he feels it is practical and not highly theorized. During the planning stage, supervisors' meetings were held for the purpose of acquainting them with the Cost elements included in the plan; the bases used to establish departmental "bogeys"; the planned assistance from staff members; and to make them feel directly involved in the cost problem.

The customary attitude of "let the top-brass worry" about profit did not prevail. On the contrary, supervision seemed to like the idea of the presentation of a definite plan where each super-

Staff engineer and superintendents review proposed layout change for effect on cost reduction objective.

visor is measured by the same yardstick, i.e., based on past performance in his own department.

YARDSTICKS FOR PROGRESS

Records are the instruments of control; they red-light the provoking cost centers for the responsible supervisors. The problem was two fold—make available adequate types of information pertinent to the program, with the least possible delay, and avoid weighty and cumbersome analyses. The solution was a brief weekly report, covering most of the factors, which was to be in the hands of interested parties two or three days after completion of payroll computation, containing the following information:

Name of Department
1948 Average Performance
The 1949 Goal
Current Week's Performance
1. Actual Expenditures
2. Standard Allowed
3. Gain - Loss Variance

Over - Under 1948 Average Performance
Over - Under 1949 Goal

This report was supplemented by monthly and quarterly progress reports which are submitted to management, line and staff. This report includes progress statistics on all objectives included in the plan.

INTEREST AND COMPETITION

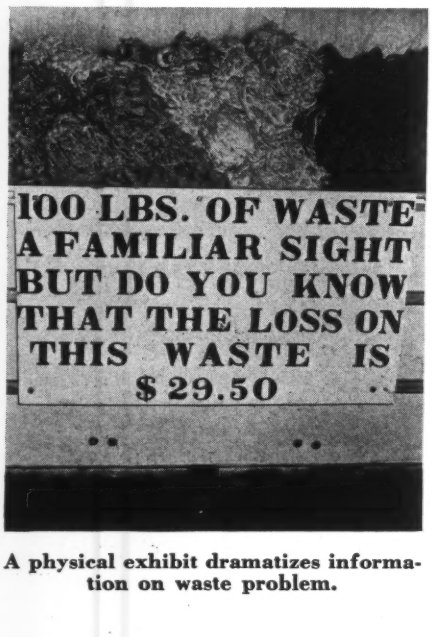
As a means of accomplishing this aim, each superintendent was given a copy of the overall plan as well as that part of the plan applicable to the area of his direct responsibility. This approach was discussed at the meetings, as previously mentioned, and was acceptable. The monthly and quarterly reports are also distributed to each superintendent and his technical assistants covering the accomplishment of the entire mill. This approach was effective as some of the fellows have to take a lot of good natured chiding and "needling" because of boasting among themselves about their ability to beat the "rap."

To assure the maximum effectiveness from the assigned engineer, it was planned that 90% of his time was to be spent on the firing line to observe personally (1) causes or machine idleness, (2) labor complement compared to standard (3) possibility of work simplification, and (4) improved methods of processing and any other ways to improve employee effectiveness and productivity. The remaining 10% of his time was set aside for weekly group meetings so that the engineers could discuss the daily problems encountered and exchange ideas on the corrective measures employed to overcome costly operations. The interchange of experience was effective in creating new ideas.

REVISIONS AND ADJUSTMENTS

While it was intended to have the goals rigid, some degree of change is inevitable. After completion of the Cost Reduction Program and before the start of the weekly reports, the 1949 standard costs were adopted. As the labor goals were set up on the basis of 1948 variances, any changes in the 1949 standards would affect the measurement of the current year's performance as it increases or decreases the variances. To portray accurately the progress, the goals were revised accordingly.

As the projected savings were based on the 1948 volume, any changes, especially downward, prohibit the achievement of the goal even though performance may have been accomplished. Computation of the results for the monthly and quarterly reports are adjusted by a percentage factor arrived at by relating the average number of 1948 units of production to the current period's level of production.



A physical exhibit dramatizes information on waste problem.

A LOOK AT THE RECORD

Management believed it had set tough but realistic departmental goals; however, the superintendents' desire to meet these objectives was strong and determined. As a proof of their accomplishment, let us examine the record: the results of the first nine months show 52.7% of the projected savings had been realized. The percentage may not be impressive to the reader, but we at Bigelow know that a good job has been done because the program was not operative until March 1949 and the operations for the first quarter did not show any appreciable gain over 1948. Therefore, the results of the following six months had to carry the first quarter's performance.

Now, let us review the latest month's performance: the mill's operations realized 89.2% of the projected savings after adjustment for fluctuations in production. Before the completion of the company's fiscal year, indications are that the mill will be operating at a level to realize 95% to 100% of the original "bogeys."

Whatever success we have had can be attributed to the following factors: (1) setting targets which were accepted as fair and a challenge to line supervision, (2) making available to them technical assistance and finally (3) creating the spirit of competition. The importance of the last factor can be emphasized by the request of one superintendent, who has exceeded his goal, for a dinner sponsored by management for the participants in this program. The sincerity of this request can be appreciated by his offer to pay the bill.

PLANNING AHEAD

Like supervision, management is also proud of this year's accomplishments and has adopted practically the same techniques in establishing the 1950 Cost Reduction Goals for line supervision. However, next year's program, as previously stated, will have a broader coverage as it will (1) increase effectiveness by means of patrolling the expenditures of the service departments and (2) it will cover both mills and will employ identical techniques in prognosticating the 1950 goals.

The Cooperative Policy

by **FRANK W. WILLEY**
President, Willey-Wray Electric Co.

A small business gets big results. The plan is simple. Financial returns are the stimulus but not the sole benefit. An unusual provision for "loss-sharing", unused as yet, provides a logical element of balance. Provision for co-investment allows profit-sharing dollars to serve double-duty.

THE Policy described herein was developed in the latter part of 1919 and was put into effect on January 1st, 1920. Fortunately the original draft was based on sound principles and has weathered three booms and two serious depressions. The latter caused complete cessation of benefit payments in both cases. As profits reappeared the benefit payments were resumed. During the thirty years of continuous operation there have been many changes in details. Their sole purpose was improvement. There have been no emergencies or pressures. Each change was discussed with and approved by employee committees. Changes are readily made because the Policy does not require Government approval.

The company is small. The total personnel numbers 31. There are only three stockholders who form the board of directors. The three are full time executives. Practically all other employees are co-investors in accordance with the second part of the Policy. Thus every investor is a working employee and practically every worker is an investor. This virtually eliminates owner-worker inequities or misgivings. The workers do not belong to any conventional union. Management retains complete operating responsibility. A Shop Committee of workers serves in an advisory capacity.

As a basis for sound relations the company created its own method of setting payrates for correct relativity. It consists of a carefully drawn Job Evaluation set-up and a Merit Rating system. A committee of workers made the final determinations in the evaluation of jobs. The merit ratings are made by supervisors and fellow workers. The worker's own rating of himself is included. These processes eliminate the personal element in the setting of payrates. Profit sharing, which is based on payrate or earnings bases, requires careful payrate setting.

The Cooperative Policy consists of two parts, Profit-Loss Sharing and Co-investment. It is extremely simple and brief. On several occasions it has been discussed with auditors and lawyers and each time their versions have been reduced to the minimum verbiage. It is highly important that all participants understand a plan and know the true meaning of every word. All plan operations must be honest. All participants must be kept informed as to progress. In our own case very simple operating statements are issued quarterly.

Because of the extreme brevity, the entire Cooperative Policy is quoted verbatim.

PART 1 PROFIT AND LOSS SHARING

When profit results at the end of the annual accounting period (Nov. 30th) approximately 80% of such profit shall be distributed between all workers and all investors. The undistributed portion shall remain in the surplus account of the corporation for emergency purposes and such other use as the Board of Directors may determine. The distributable portion shall be divided into two parts, one proportional to the total of invested moneys and the other proportional to the total yearly earnings (wages and salaries) of all regular employees of the corporation.

The first part of the distributable portion shall be paid to the investors by a uniform percentage of the investment of each.

The second part shall be distributed to all regular employees by a uniform percentage of the earnings of each but after such earnings have been credited for length of service as follows:

5% after the first full year of continuous service.
5% after the second full year of continuous service.
1% additional for each additional year until the total credit is 30% which shall be maximum.

All shares shall be calculated on or before Dec. 20th and shall be paid as follows:

25% in cash during December.
18¾% in negotiable notes maturing March 10th following.
18¾% in negotiable notes maturing June 10th following.

18¾% in negotiable notes maturing September 10th following.

18¾% in negotiable notes maturing December 10th following.

Such negotiable notes shall carry no interest.

In the event of severance of working relations or discontinuance of the Co-operative Policy by the corporation, each employee shall share in profit benefits on a pro-rata basis for such portion of the year prior to severance, or discontinuance. Formal resignation, discharge, un-excused absence or death, shall be construed as severance of working relations.

Quarterly financial reports shall be issued to all employees by the corporation in the months of January, April, July and October.

In the event of a loss, the principle of loss sharing shall be identical with that of profit sharing. The deficit shall be compensated by a uniform percentage reduction in the compensation (wages, salaries and investor interest) to all. A loss in any quarter year shall require sufficient reduction in payrates and investment interest rates in the following quarter to recover the amount of such loss.

PART 2 CO-INVESTMENT

The stockholders have made their investment by the purchase of the capital stock of the corporation. Employees, other than stockholders, may make investments of different character. Each such employee may purchase special non-negotiable Investment Notes in multiples of $50.00 in any amount except that his total investment shall not exceed 50% of his earnings of the previous calendar year. Subscriptions of Investment Notes with the above limitations shall be made in the latter half of December of each year. Any person starting employment during the current calendar year shall be privileged to purchase Investment Notes at any time during that year but not in excess of $500.00 and shall receive pro-rata benefits therefor.

The purchase or holding of Investment Notes shall not grant any special working or employment privileges.

As compensation for the use of this invested money the corporation shall pay interest to holders of Investment Notes at a normal rate of 7% per year in four quarterly installments of 1¾% on the last days of March, June, September and December. Such interest rate may be increased or decreased in accordance with conditions described under Profit and Loss Sharing.

The Investment Notes shall be redeemable:

1st. At the request of the holder, the corporation reserving the right to redemption at any time within 90 days of the date of such request.

2nd. Upon serverance of working relations for any reason whatsoever, the corporation reserving the option to redemption upon written notice at any time within 90 days of such severance.

3rd. Upon discontinuance of the Cooperative Policy by the corporation, the corporation providing a 90 day written notice of such intention mailed to the last known address of every employee.

Upon redemption the corporation shall pay the principal sum with interest at the current rate up to the date of redemption or to the date of the notice of redemption by the corporation. The former Investment Note holder shall also receive any benefits, on a pro-rata basis, that may have accrued under the Profit and Loss Sharing plan at such time as the benefits are determined. The benefits shall be paid on the same schedule as provided for full year investments.

PROFIT-LOSS SHARING

The first step in profit sharing is the determination of the profit figure. In reality profit is what is left after all costs have been met and all proper reserves have been established. The stockholder is entitled to assurance that there is always a dollar of real assets for every dollar he has invested. Income taxes are as real a cost as any other on the list and must be deducted in arriving at the true net profit. The result is the interpretation of the word, profit, wherever used herein.

The second step in profit sharing is the determination of the portion of the profit to be distributed. Consideration must be given to stable operation of the company over possible emergencies. Some surplus should be created as a safeguard. There is common practice of withholding an additional portion for expansion. This is open to question because in principle the stockholder is credited with more than the dollar he invested. He should participate in the sharing of profits and plow back the proceeds by purchasing additional stock.

The Cooperative Policy has arbitrarily chosen 20% of net profits to be applied to the corporation surplus. The remaining 80% is distributed among the entire personnel. On first thought the distributable portion is startlingly high but it must be remembered that the stockholders and the executives share in the 80% portion. Depending upon conditions, the non-stockholders are likely to receive about 50% of the total net profit.

The third step in profit sharing is allocation or determination of the individual shares. The basis varies with profit-sharing companies depending upon the desired objectives. Some use hourly rate, others yearly earnings, while some place heavier emphasis on length of service. The Policy uses yearly earnings with an additional credit for length of service, with a maximum credit of 30% for 22 years or more.

REWARDING INVESTORS AND PRODUCERS

The Policy is based on the principle that invested and earned dollars play an equal part in the success of the operation of the business. Assuming the soundness of that principle, then each type of dollar is entitled to the same reward. Each should receive identical dividends. Essentially the investments and the yearly payroll are added together and the dividend rate determined by the relationship of that total to the distributable portion of the profit. Individual shares are readily calculated by the application of that rate to his earnings or his investments or both. The calculation is simple and not difficult or extensive.

The fourth step in profit-sharing planning, is the application of the profit shares. The first thought may be to pay them out in cash in one lump sum. If the shares are large in relation to the weekly pay check, there is a tendency to disturb the economic balance of the individual. Stockholders in general receive quarterly dividends in the ensuing year. Some deferment of payment seems preferable. The Policy divides the sum into

five payments, the first of which is larger to cover the income tax for the entire share.

Both the lump sum and the one year basis are relatively short range plans. The Policy is in that category. Long range plans may so defer the benefits that they are not actually received until retirement or death. Profit sharing is intended to be an incentive. The question is what plan is most logical and effective. There is the story of hanging a bundle of hay before a donkey to encourage pulling effort. If the hay is too close he will eat the incentive. If it is too far away the donkey may not be conscious of its existence. Admittedly the Policy is short range and thought is being given to adding pension features financed by a part of distributable profit shares. The second part of the Policy contains a pension element in that it encourages savings and the creation of an estate.

UNIQUE LOSS-SHARING PROVISION

The loss-sharing feature was added to the Policy in more recent years and fortunately has not required application. It is sound reasoning that if profit is shared, that loss should be similarly shared. One can't run home when the team is losing. It should be noted that the principle of loss sharing is merely profit sharing in reverse. It is probable that some of the less reliable employees would desert the ship and seek other employment. The better type will remain so the overall loss might be a blessing in disguise. Employees must always be alerted to the possibility of loss, by means of understandable reports of operating results. It should not come as a surprise.

CO-INVESTMENT

The purchase of stock by employees has been in effect for a great many years. It is the purest practice of co-investment and under some conditions is highly successful. Stock purchase of any kind is admittedly a gamble. Usually the worker does not understand all phases, particularly of the risk. A larger company with a long record of sound practices and consistent profit making reduces the risk.

The Policy provides the investment note basis which practically places the risk on the company but offers the same dividend privileges as enjoyed by the stockholder. The note holder, however, has no voting rights. Should he not approve the policies of the stockholders, he has the opportunity of note redemption within a reasonable period. This type of co-investment imposes asset liquidity on the company. There is the possibility of redemption of all the notes in the event all workers should decide to pull out at the same time.

The rate of interest of 7% on the investments is admittedly excessive under present money market conditions. It was set many years ago when that rate was not uncommon for preferred stocks. It has been maintained largely because it has been possible. Most of the note proceeds have been invested in Government bonds yielding only 2½%. It does not seem good business to borrow money at 7% for a 2½% investment. The improved cooperation makes up the difference. As of today the interest rate should more likely be about 5%. The interest is charged to expense the same as if the loans were from a bank.

This may be an opportunity to advance an unpopular theory, unpopular at least with the Income Tax Commissioner. Capital is a most important factor in creation and operation of an industry. Most of it is loaned by the investor. Occasionally more is loaned by lending agencies. The investor is not entitled to any hire for the use of his money as an expense to the enterprise. Interest paid to the bank is deductible. It seems logical that the investor should receive a reasonable rental for the use of his money as a deductible expense to the operation.

RESULTS OF THE POLICY

The proof of the pudding is in the eating. Thirty years must be considered an adequate trial period. Very few employee benefit plans have lived that long. Most mortalities result from unsound principles, ultra-ulterior motives or inadequate understanding on the part of the employees. Since each plan must be tailored to company conditions, some failures have resulted from the adoption of plans used successfully by some other concerns, yet were not adaptable to the new user.

This Policy has been successful. It has not been sensational. Profit dividends have ranged from zero to 25%. In the case of investors 7% must be added for the overall return. Financial return has not been the sole benefit. Since about half of the waking hours are spent on the job it is important that those hours be pleasant and satisfying. That has largely been accomplished. The Policy creates a spirit of mutuality. Customary squabbling is reduced to a minimum. Turnover and tardiness are practically non-existent. Employee - employer conflicts never occur as there is no cause for them.

It is believed that the Policy has made better citizens out of the entire personnel. The principles are in keeping with those of pure free enterprise. If these statements be true, the Policy has made at least a small contribution to the community. The Policy itself cannot, however, claim the full credit because without the foundation of sound payrate setting, the going might not have been as easy.

Proceedings of the Annual Conference of S.A.M.

Hotel Statler, November 3-4, 1949

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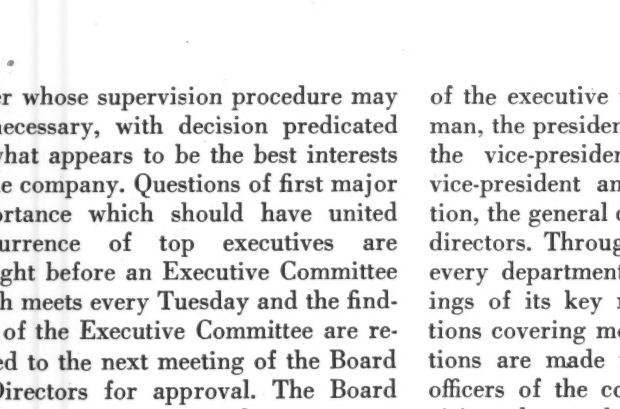
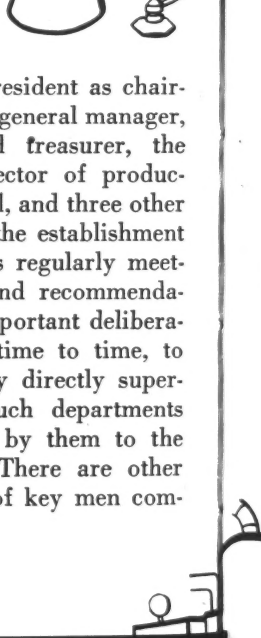
Dynamic Group Management

by **RAYMOND E. HORN**
President and General Manager, Abbott Laboratories

Can committees act with enough speed to meet today's competitive challenges? An organization that depends on new products for over two-thirds of its sales volume proves it can be done.



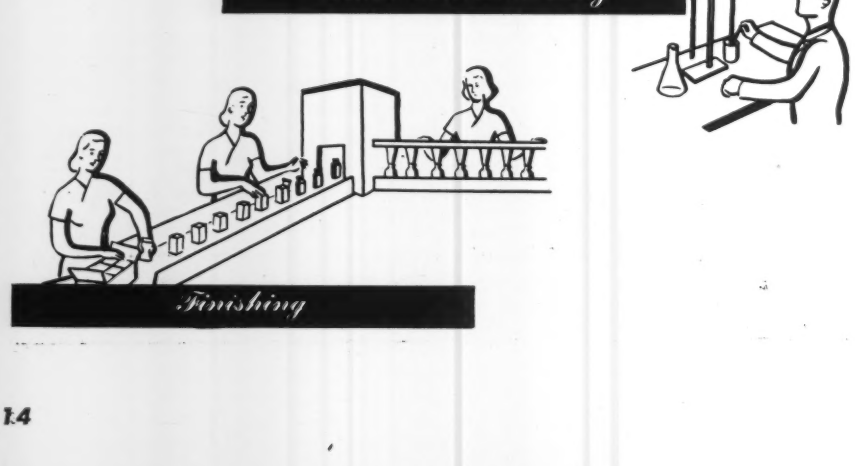


THE term "Group Management" has been more or less loosely used. It was probably born of the idea that two good heads are better than one and the resulting reasoning that several good heads are proportionately better than two. It also means assurance to key executives that their viewpoints are important in decisions affecting their part of the company's activities, thus inspiring their more active interest and effort. In many companies where the management of different departments is under the supervision of skilled technicists, consideration of important problems by a group representing over-all management rather than individual direction would seem to be indicated, in order that final determination may be made with due regard to the larger aims and purposes of the company.

SUPERVISORS, COMMITTEE AND BOARD

Abbott Laboratories follows what it believes to be group management in the most thorough sense. Questions of less than first major importance to the company are discussed by the principal officers, with each other, and with those under whose supervision procedure may be necessary, with decision predicated on what appears to be the best interests of the company. Questions of first major importance which should have united concurrence of top executives are brought before an Executive Committee which meets every Tuesday and the findings of the Executive Committee are reported to the next meeting of the Board of Directors for approval. The Board may or may not approve the recommendations of the Executive Committee but such approval is usually given.

The Executive Committee is composed of the executive vice-president as chairman, the president and general manager, the vice-president and treasurer, the vice-president and director of production, the general counsel, and three other directors. Throughout the establishment every department holds regularly meetings of its key men and recommendations covering more important deliberations are made from time to time, to officers of the company directly supervising the work of such departments and, not infrequently, by them to the Executive Committee. There are other committees of groups of key men com-



Product Planning Committee

Pilot Plant

Pharmacological Testing

NEW IDEA INTO NEW PRODUCT

Channeled and guided by committees the new product plays an important role in the sales picture. In one year fifty-three new ideas were transmuted into actuality.

Clinical Testing

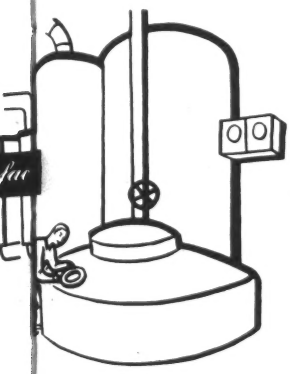
prising representatives from several departments which function at regular intervals and determine questions delegated to their discretion, so that management of matters both of first importance and of routine nature proceeds in large measure only after group discussion and concurrence of the group in which responsibility is vested.

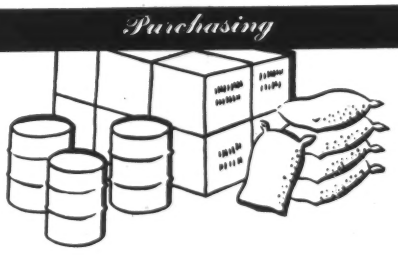
CHAIN OF GROUPS

Someone from outside the company comes in with an idea for a new product on which he has done previous research. The idea is interesting. Discussion is had with the sales department and if it then continues to be interesting it is referred to the research department. If the research department and the medical department concur, research in our own laboratories and perhaps clinical investigation follows. If later the research and medical departments should decide to recommend the product it is submitted to the New Products Planning Committee composed of representatives from the sales, research, medical, and production departments, for consideration. If approved by this committee the green light is given and the product is prepared and added to the catalog.

The Sales Executive Committee then studies the procedure of promotion of the product and upon its determination the product is announced to the sales force for action. If, as usually is the case, the discoverer of the product wants a royalty that question is submitted to the Executive Committee and upon its decision and approval by the Board agreement is drawn by the company's general counsel.

Compilation of Data





Purchasing

Food and Drug Administration

DYNAMIC PIONEERING

Developing new products is essential to the continued growth of the Company because of constant advances in medicine. Since 1940, for example, over two-thirds of all sales have been in products developed since that time. Thus, if it were not for the never-ending search for new and better medical products, sales in 1948 would have been approximately $20 million instead of over three times that amount.

Important recent new products include a number of penicillin specialties. Notable for its revolutionary approach was the Aerohalor and penicillin sifter cartridges. The inhaler releases a measured amount of penicillin dust into nose or throat and lungs each time the patient inhales, so that the penicillin is carried directly to the site of the infection. While it looks very simple, the Aerohalor in reality presented a great many difficult problems. It had to be effective and economical in its use of penicillin, convenient for the patient, and inexpensive and practical to make. Correct size of the penicillin particles and their uniform release into the air stream required further study. The ultimate solutions were obtained by close cooperation between many departments. This development highlights one of many instances which proved the effectiveness of our "Group Management" techniques. When the Aerohalor was introduced it attracted wide interest in scientific and popular publications. It is not, however, a "cold cure," but exclusively a prescription product.

By-product of group administration is development of broader horizons for potential executives. Immediate benefit is alert coordination of diversified operations.

Scientific investigation has become so complex that it must be divided into specialized departments. At North Chicago investigators in certain laboratories make basic studies of organic or biochemical compounds, others work with radioactive materials, study products with a view to their improvement, work out new dosage forms, study the action of antibiotics, observe the effect of new drugs on test animals before clinical trials are made, work out new methods of manufacture, and test and retest every Abbott product.

In accordance with a long-established policy of supporting scientific investigation beyond the confines of Abbott, the company last year again sponsored fellowships and grants to teaching and research institutions. Fellowships are given for the support of original research in pure science, without any limitations imposed as to its scope. Twenty 5-year fellowships of $5,000 each are in effect. A number of specific grants are made to finance the study of medicinal products of immediate interest.

Some of the oldest, and newest, medicinals known to man are now being prepared in the form of radioactive drugs. Abbott is the first pharmaceutical house to make these compounds available. They are being supplied at less than cost as a service to hospitals and research institutions certified by the Atomic Energy Commission as competent to handle these materials.

SALES RESULTS

Steadily increasing sales from year to year are proof that Abbott salesmen are on the job and know their business. Sales in 1948 came to more than 66 million dollars, an increase of 7 million over 1947 and more than three times the total sales in 1942. Special sales training courses and plant tours are given three times a year at North Chicago to acquaint new salesmen with their Company and their duties. These courses cover such subjects as practical selling, research, production, administration and advertising. Two general sales conferences are held each year in New York, Chicago and San Francisco. At these meetings, Abbott sales representatives are informed about products, finances and sales policies by members of the research, medical, executive and sales staffs.

All of these activities are coordinated by committees operating as units and in conjunction with other groups.

Abbott's unbroken dividend record (1929-1949) was achieved while the average selling price of its products declined substantially but costs for labor and material climbed to new highs.

DEVELOPING ADMINISTRATORS AND DIRECTORS

Under well-organized group management, young executives receive the sort of education which aids materially in qualifying them for advancement to positions of higher importance, thus avoiding in most cases the necessity for going outside the business to employ persons to fill vacancies in the higher echelons. The procedure is also helpful in the training of those who may later qualify as directors.

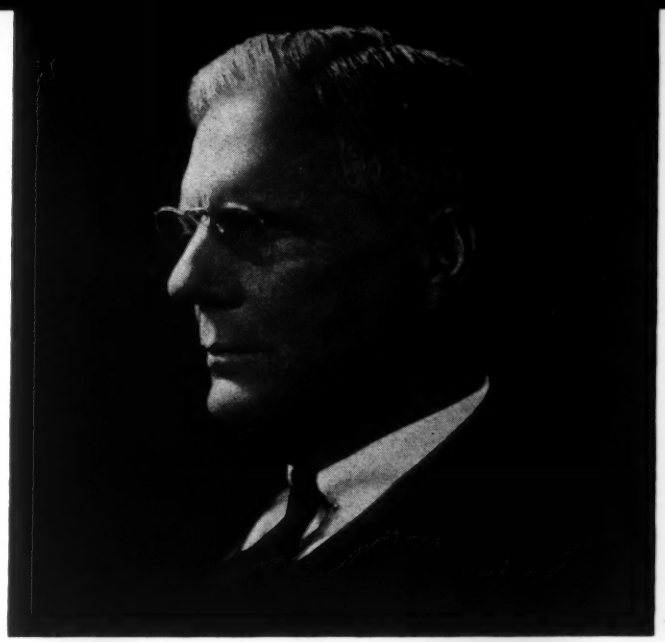
In the Abbott organization this is a matter of record; and among those who have benefited by promotion under this plan are practically all present officers and several directors.

Automatic ampoule filling and sealing machine replaces hand operations. One of many production improvements initiated by coordinated committees.

Incentive Compensation

The Way to Industrial Democracy

by J. F. LINCOLN
President, The Lincoln Electric Co.



Sincere application of the Incentive Compensation principle makes history. One of the ablest pioneers in an extremely competitive field illustrates how high pay means lowest cost. The record is a classic study in productivity.

THE principle of Incentive Compensation as a stimulus to better work, higher production and industrial peace, is the finest contribution that has been made to American enterprise. The results achieved by applying it are literally amazing when contrasted to the old pattern of pay by the hour to men who have little or no sense of partnership in the success of the company for which they work.

Incentive Compensation pays a man for what he *does*, rather than for the time he spends.

This principle is spreading throughout America. Its spread is not the result of past or present labor legislation or of the activities of any political and social pressure group. It is the pattern for worker-management relations in modern American democracy that evolves wherever management and workers are inspired to seek a mutual understanding based on the democratic ideal of respect for the individual and his right to stand up for and by himself.

The effective stimulus of this principle was dramatically demonstrated during the war. The government investigated plants employing a total of 1,000,000 men having incentive plans and found that production increased under them by 40%. As a result, the War Labor Board refused to freeze wages where production increased as a result of incentive. The nation got its reward from this in a shorter war.

INCENTIVE PIONEER

The Lincoln Electric Company of Cleveland, Ohio, long before the war, was a pioneer in applying this principle —a successful pioneer. This company proved that the principle works, that it is not a blueprint or theory. The record of its achievement stands as testimony, "the arduous greatness of things done."

The principle of Incentive Compensation is applied by American companies in many different ways. At Lincoln, it has been and is applied as follows:

1. Beginning in 1914, an Advisory Board of employees. This, with the plant superintendent and the company's president, constitutes the board of directors *in the plant and office* in the production end of the business. This board, democratically chosen, gives every man the feeling that he is *on the team*. The board lays the eggs. The men hatch them.
2. Piece work pay wherever possible.
3. Rewards for money making suggestions.
4. Employee ownership of company stock.
5. Year-end bonus based on each worker's output and, in general, his contribution toward company success for that year.
6. Life insurance for everyone.
7. Two weeks vacation with pay.
8. Annuity pension plan.

". . . giving every man the feeling that he is *on the team*."

THE RECORD

How has Incentive Compensation worked in our company since 1933? As follows:

a. Production per man increased 7 times.

b. Take home *annual* wages *increased* over 4 times.

c. Dividends *increased* 3 times.

d. People employed *increased* 4 times.

e. Prices *reduced* 50%.

f. Dividends have been paid continuously for over 25 years.

"Hours of work required to make a welding machine have gone down from 60 to 15—and the machines are greatly improved." Chief Engineer C. G. Landis points out a design improvement.

There *has never been a strike!* Incentive Compensation gives men the feeling that they are working for *themselves.* It assures them that the more they *do,* the more they *get.*

While productivity per man in many factories has fallen one-third or more (in some cases, to a low in company history), at Lincoln, as stated, it has increased 7 times since 1933!

HIGH PAY—LOW COST

Measured in dollars, the employees are the *highest paid* factory workers in the world.

Measured in units of work produced per man, they are the *lowest cost* workers in any factory in the world in a similar line of work. At least, the company's products are sold in every country in the world in successful competition with their *low paid,* but *high cost,* workers.

Directly and indirectly, it is estimated the plant's incentive system saved the war effort more than $150,000,000.

Pay per year has gone *up;* labor cost per unit has gone *down.* The wage cost per unit produced is much less than that of any competitors—and welding is a highly competitive business.

For example; since 1933 the sale price of a welding machine has been reduced from $550 to $225—and it is a better machine; hours of work in its making have gone down from 60 to less than 15; man hours per ton of electrode have gone down from 12 hours to less than 2½, etc.

This principle has been a stimulus to doing a better job for workers outside the factory as well as for those inside. Workers engaged in the phases of distribution have also contributed to lowering the cost of the jobs for which they are responsible. Cutting the cost of such items as packaging, shipping, warehousing, selling and financing has saved hundreds of thousands of dollars per year and resulted in a very low sales cost. The potential of still greater savings in the cost of distribution is constantly being exploited to still further reduce selling prices.

Incentive Compensation has waked the sleeping giant. It has brought the self-interest of workers into the management of the success of the enterprise. It fits, as a hand the glove, President Truman's statement, "Production is our salvation."

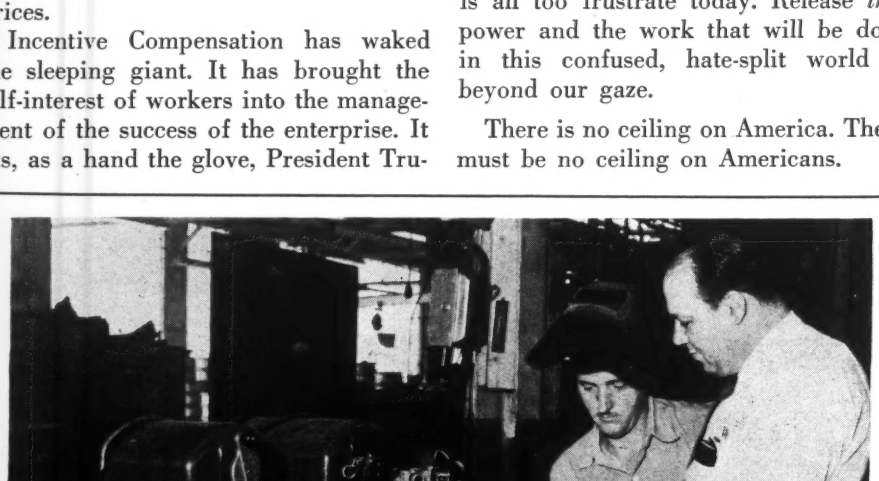
INDUSTRIAL DEMOCRACY IS THE KEY

Over 65% of the employees own stock in the—or rather, "their"—company; over 75% of those who have been with the company for some time own their own homes; loafing on the job does not exist; absenteeism is no problem at all, labor turnover is non-existent and strikes are absolutely unknown. This may justly be called "industrial democracy."

Wherever the principle of Incentive Compensation (industrial democracy) is applied properly and sincerely, it leads to industrial peace; contented workers; lower costs; high production. As it spreads, it will bring national prosperity; world trade. It will make America impregnable abroad and united at home. It is the golden key. The huge volume of new wealth which it will unlock will prevent inflation and provide a tax base that will assure complete confidence in the solvency of the United States and the integrity of the dollar.

To the giants of modern technology, science and mechanical power, we must add the *greater power* that lies latent and sleeps restlessly in men's breasts and is all too frustrate today. Release *that* power and the work that will be done in this confused, hate-split world is beyond our gaze.

There is no ceiling on America. There must be no ceiling on Americans.



Methods engineer and employee discuss how merit rating can be improved. Rating determines share in year-end incentive payment.

Can Management Sell Ideas As Well As Products?

by THOMAS ROY JONES
President, American Type Founders, Inc.

In the "cold war" ideas are weapons. Re-armament is badly needed. A candid appraisal of management's position reveals inadeqate defenses, poor planning and little understanding of the real problem.

FREQUENTLY we hear or are asked the question, "Are we losing the battle to preserve the American economic system?" At the risk of offending some of the participants in the voluble discussions which the question has precipitated, I arise to ask "What battle?" I wonder if the question can be resolved without a few preliminary questions. Have we businessmen really started to fight? Have we surveyed adequately the position and tactics of our opponents? Must not we executives of American industry assume additional responsibilities as the leaders of the forces which can preserve the American economic system?

To properly command our resources in the attack launched against us by our opponents, the collectivists, the social planners, the power grabbing statists, the selfish, power-hungry leftist labor leaders and the misguided do-gooders, we must first marshal our forces. Those who oppose us are well organized with powerful ammunition. To meet their onslaught we must have a sufficient grasp of the elements of economics to put up an argument for this is to be a battle of ideologies fought on the grounds of economic beliefs. We are working parts of the world's greatest and most highly developed economic system. It is imperative, therefore, that we understand and be equipped to explain in simple terms the basic part we play in it.

BASIC ECONOMICS

Possibly we sell our products in foreign fields, but do we know what the cumulative effect of our sales is on the hoard of gold buried under Fort Knox? Can we explain the nationally disastrous fallacy of the so-called "favorable balance of trade?"

I am not advocating that every businessman acquire a degree in economics, but I do emphasize that every one of us in business should know as much of practical economics as should be within the comprehension of every high school student, that is if we want to win the presently one-sided battle about which we are frequently asked.

The labor organizations have staffs of highly intelligent economists who know how to use cartoons, charts, colorful language, and elemental exposition to get their points across to their staffs and members. Both the AFL and the CIO publish monthly economic pamphlets which explain simple, basic economics in a way to make their points understood. The AFL in its publication is orthodox and honest in its economics although the presentation always favors labor's case. *"The Economic Outlook"* published monthly by the CIO is usually an agglomeration of socialistic half-truths and fantasy. This publication is distributed not only to CIO members but to the clergy, teachers and to all others who will take it.

As businessmen we would do well to study these publications to learn what they are telling our employees. The same techniques which they use effectively can also be used to put the facts of our story across.

Second, we must have an understanding of sociology. We must have an interest in the betterment of the condition of the underprivileged third, not as a welfare project but in an effort to enable them to stand on their own feet. The great appeal of the socialist or communist is that he appears to be doing something about the "common man" upon whom business is allegedly trampling in its greedy rush for profits. This is, of course, a rank misrepresentation because it is only through the service rendered by American industry and business over the past hundred and fifty years that the American "common man" is the best paid, best educated and healthiest in all of the world. But that result is the by-product of our system and if we are to save the system we must make the by-product of prime importance, for the power grabbers are using this material to mold our society to their own ends and are carrying the well meaning theorists with them.

SEEKING THE HUMAN TOUCH

After we are thoroughly grounded in our facts, we must know how to sell them. We must present these facts to the

public in such a way that it can understand them and feel a personal interest. After many years of bewildered observation in the field of industrial human relations, I am forced to the conclusion that we have not yet mastered the human touch. There has been great improvement in this area of industrial management, but there is still much to be done. Let me illustrate what I mean by the human touch.

The government has instituted anti-trust proceedings against the Great Atlantic and Pacific Tea Company. Who is going to win? The A&P can win hands down if it will only finish what it has started. The officers are taking their case to the greatest tribunal in America—the women of the country. They are showing the woman what the action means to her pocketbook. If there is anything more tender than a woman's heart, it's her pocketbook. That's the human touch.

If we had had the human touch fifty years ago, there would have been no need for the labor unions nor would they have been able to grab the monopolistic power they now wield.

In presenting our case to the public, each of us is prone to take the attitude of "Let George do it." We assume that our national trade or business associations should handle the job. This is not enough. The job of telling our story must start with each of us at the community level. If we are as integral a part of the communities in which we operate as we should be, we, as individual businessmen, have the best opportunity for reaching the people of our communities.

We need courage in stating our case. We must not hesitate to stand in front of a crowd and fight for fear that we will look silly. (If we aren't thoroughly grounded in our case, we will.) If we are poor speakers, it would be well to take lessons in public speaking and the use of the voice.

The subversive groups working against us and our system realize that they cannot achieve their goals in a single attack. Therefore, they approach the problem from many points. They seek to destroy the confidence of the public in business and in its ability to operate for the good of the public. This can lead eventually to an attempt to bring industry under government control. They seek to undermine the confidence of those who invest capital in our businesses. They seek to discredit industrial management, its policies, and its operations.

Their ways are subtle. The techniques and strategies which they use are well planned and carefully executed. They are perfectionists in the use of distorted facts and twisted propaganda.

How long will these subversives who are trying to undermine our security be able to continue their work of destruction? How long will we suffer the demagogic wastrels who prostitute their positions of trust and victimize the people who trust them?

1. They will last until the delicate adjustments of our economy are so out of balance and so tangled that the whole machine crashes or grinds to a standstill: or
2. Until the vast economic surplus which has been created and built up by free men working in a free economy and in an atmosphere of freedom of opportunity becomes used up: or
3. Until the people wake up to what is happening to them and demand a change.

Whichever of the three comes soonest.

COST OF FAILURE

If the people fail, then what? Then the very leaders who have wrecked the economy will put the blame on the old system and on us and, through their highly developed selling techniques and organizations, will convince their millions of dupes that only they can rescue the country. Then comes that standardized mediocrity called Socialism. And after that, the inevitable sequel to socialism.

What can be done to help our cause?

Well, we have to be and act smarter than those who would rob us of our freedoms. We must recognize things as they are, fit our action to conditions and abandon any temporizing attitude which expresses only faith that our cause is right and that time will bring all things right in the end. Once we do this, the twilight of the day of the demagogue is at hand.

What we can do to offset what is being done by our enemies falls into three categories: first, what we can do as a business; second, what we can do through our organizations; and third, what we can do as individual citizens.

As a business we can get close to our employees. This can be done in several ways. We can get an idea of what they are thinking and what they think of the company from opinion surveys. But, basically we should have lines of communication within our own organization and these lines of communication should extend in both directions from the president to the sweeper.

Through these lines of communication we must give the employees the facts and nothing but the facts—facts on our own business, business in general, on legislation and economics. All of this we must tell in a way in which the employees will not only understand but will accept. A great many companies are doing this although when compared with the total, far too few.

Business can also be a part of the community by participating in the work of the community, cooperating with the schools on a constructive program and in similar activities. One of the best ways to tell your story is through open houses held regularly, at which time opinion forming groups may be brought into your places of business and shown, not how the product is made, but how the business operates, what the economics of business are and the importance of business to the economy and society. The opinion forming groups should encompass doctors, the clergy, labor leaders, even barbers and hairdressers, people who come in contact with and talk to other people.

USING ORGANIZATIONS

It is through our many organizations that we should be able to make our greatest accomplishments. But the organizations must be equipped to do the job. The first great program to be carried out through our organizations would be that of basic research in economics and, later in sociology. There are already two organizations in the United States which are devoted to this job of research—the National Planning Association and the Committee for Economic Development. Both of these organizations are doing work that is desperately needed inasmuch as college text books do not contain answers to many of our present day economic problems. Both of these organizations find it difficult to get sufficient money to do the

kind of job they should do, mainly because we executives do not understand enough economics to understand the necessity for the work of these organizations. Both of these organizations are making an admirable start but they need more support—both financial and personal.

The next thing that adequately equipped organizations can do is to give out unbiased information in language and method such that those, with relatively small economic knowledge, can readily grasp the facts. From this source would come the economic education which we all so sorely need.

Such organizations should have on their staff a group of personable educators trained to debate and to public address. These men should be available for speaking engagements in colleges, schools, women's clubs and other organizations which are anxious for facts. The organization should likewise have provisions for facilitating the cooperation of all people in a community with educational staffs in that community, be they public schools, high schools or colleges—this to the end of the interchange of ideas and a better understanding of one another's problems. At the schools are pointed many offensive weapons of the enemy and, unless these schools are furnished with counter-ammunition, they are at a loss to defend their own position.

Many of the things which I suggest are already being done but there is much still to be done. To do the kind of job I am describing, there must be highly schooled and trained specialists directed by people who know how to make facts reach their targets.

As citizens, there are many things we can do. First, we have to learn the facts so that we may be armed to defend our country. We can teach. We can enter politics. We can get others in our own groups stirred up to do the job that needs to be done and we can become active in local forces.

The outline I have given is very sketchy and is certainly not all-inclusive.

THE POSITIVE APPROACH

Whatever we do we must be *for* something. If the socialist or communist points out a sore on the skin of society we should have ready a positive, constructive, reasonable remedy which does not involve reliance on Washington.

If we are interested in our country that interest should be great enough to make us want to be for positive, constructive movements for the betterment of that country. And not only to be for them but to do something about them in an intelligent forthright way which will take the leadership away from those who would destroy the best economic and social system ever devised.

You can well ask "Where do I get the time to do all of this?" The answer is that you will have to take the time or hire and supervise some one or a group to do it. George H. Mead, Chairman of the Board of Mead Paper Company, says that the top executive of a company must organize to spend half his time in some form of public interest. The enemy takes the time!

If we are to retrieve our lost territory we must quit fighting sporadic, scattered and uncoordinated rear-guard actions. We must make a study of the enemy's strategy, techniques and weapons. We must study the terrain and then we must marshal our forces, submit to leadership and fight tirelessly, doggedly and long.

When we come to study the situation which confronts us we find that our battle is not one of steel, chemicals and torn human bodies nor is our battlefield the cities and fields of our great country. The battle is one of human ideas and of ideals and of human rights. It is one of fact and truth against lies, half-truths and distortions. And the battlefield is that of the human mind—the mass psychology of the American people and the peoples of the world.

IDEAS AS WEAPONS

The strategy and techniques are those of selling and the weapons are ideas, arguments, truth and facts, and the explosives which drive them home are words—words forcefully and effectively spoken and forcefully and effectively written.

Who is better fitted to carry on a selling war than the industrialist or the business man? Have we not been selling things for centuries? Have we not marshalled every medium available to sight and sound to the end of inducing the public to accept our wares? Are we not the greatest salesmen in the world?

The answer to all of these questions is "Yes" — BUT — what we know how to sell are things — tangibles — physical products made by human hands or by machines controlled by those hands. We have never learned how to sell the intangible products of the human mind—ideas and ideals. And here, Gentlemen, is the crux of our problem. Can we or will we learn to sell ideas?

And can we or will we learn to sell them, not alone in the national area, but where they will count most, that is, in the communities in which we live and operate?

Several companies have demonstrated with effectiveness that it can be done within their organizations and communities. So it can be done.

Will we put over the world's biggest selling job. How do we do it?

What are the rules for any selling job?

First, we must have a product. And what product in all this wide world is more worthwhile, of greater value to the customer than freedom of opportunity and freedom of choice?

Second, we must believe in that product. Is there one among us who doesn't believe in our product?

Third, we must know our product. Here is where we fail miserably. We must know what makes our economy tick!

Fourth, we must know our market. Through whom should we sell our wares? These markets lie with the thought leaders, of course—the clergy, the school teachers; our own supervisors and foremen; labor leaders and all others with influential positions in all phases of society.

Fifth, we must know our customers' needs. What does the customer want? Or, I should say, what does the customer want most? What makes him buy? What is the mass psychology applied to these intangibles which we have to sell?

Once we have all of these prerequisites to any sale we are prepared to sell our wares.

Well, there it is. There is nothing complicated about it. It can be done and is being done. The question is "How well will we do it?" And *we* means everyone — Foreman, Supervisor, Manager or President.

SOCIETY NEWS

ADVANCE NOTICE

Chapter	*Date*	*Subject and Speakers*
Richmond	Feb. 8	"Work Simplification." Speaker: Allen H. Mogensen, Director Work Simplification Conference.
Detroit	Feb. 14	PERSONNEL METHODS COMMITTEE. Speaker: John Sparling, Detroit Edison Co., "Trends in the Field of Personnel Research."
Washington, D.C.	Feb. 16	Speaker: D. W. Bell, President, American Surety and Trust Co., "What is Meant by Management Audit."
Philadelphia	March 1	STUDENT CHAPTER NIGHT "What Does Industry Offer To and Expect From Its Young Men?" Speaker: Walter J. Beadle, Vice President, E. I. du Pont de Nemours & Co., Inc., Wilmington, Del. Student members will be present from University of Pennsylvania, Temple, Drexel Institute of Technology, Pennsylvania Military College and St. Joseph's College.
Washington, D.C.	March 29	WORK STANDARDS AND INCENTIVES ROUND TABLE with Dr. Lillian Gilbreth and Dr. Harlow Person.

PHILADELPHIA CHAPTER'S regional conference heard F. Carter Schaub, general manager, Philadelphia Mail Order Region, Sears, Roebuck and Co., describe the importance of keeping information "going back and forth" between employes and management. Mr. Schaub explained his belief that proper consideration of the need to show workers that their ideas are really wanted is not the entire picture. Proper incentives must be set up so that personnel can feel itself a partner in the business by sharing in the company's extra compensation that workers themselves helped create.

Emerson Trophy Standings
Chapter Performance Award Plan
As of December 31, 1949

CHAPTER	TOTAL
Cleveland	1840
Washington	1611
Philadelphia	1587
Pittsburgh	1035
New York	790
Chicago	655
Cincinnati	609

(Note Cincinnati jumped from 13th place to 7th)

WASHINGTON CHAPTER'S December meeting on Supply Management and Procurement Specifications saw many military and government leaders present as speakers, panel members and spectators. Speakers were: Brig. Gen. J. K. Christmas, representing the General Staff; Col. G. S. Warren, USAF, Lt. Col. Keith T. O'Keefe and Commdr. P. T. Coil of the Munitions Board, and Willis A. MacLeod of the General Services Administration.

NEW YORK CHAPTER'S January meeting was keynoted by Joseph E. Moody, President, Southern Coal Producers Association who spoke on "Why the Miners' Pension and Welfare Fund Went Broke." Panel Chairman, Hiram S. Hall conducted a Bread and Butter Session covering "Collective Bargaining on Pensions."

INDIANAPOLIS CHAPTER, at their January meeting presented "What's Cooking In Cost Reduction," a talk by W. S. Wheeler, Western Editor, Factory Management and Maintenance.

RALPH PRESGRAVE was the main speaker at the Detroit Chapter's February meeting; subject, "Some Problems of Time Study."

MEET your Chapter Correspondents. Listed below you will find the men upon whom we rely for information of interest about chapter activities. They have generously volunteered to help us do a better job of news coverage for 1950.

You can help by supplying them with advance notice of coming events, news about noteworthy activities of members, promotions, awards and similar facts. A vote of thanks is extended to all correspondents for their sincere interest and efforts to advance the principles of scientific management.

Chapter	*Correspondent*
Atlanta	Louis Davis
Baltimore	Rodney G. Stieff
Baton Rouge	H. Payne Breazeale, Jr.
Birmingham	Clinton L. Pifer
Boston	Josiah Heal
Bridgeport	Brian Mainwaring
Central New York	John Bullard
Central Pennsylvania	E. S. Roscoe
Chicago	Togo W. Tanaka
Cincinnati	Howard E. Campbell
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Detroit	Byron C. Coats
Eastern Connecticut	Raymond Bogue
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Hartford	Raymond Bieth
Houston	Charles J. Dexter
Hudson Valley	Douglas McKean
Indianapolis	John E. Hall
Jacksonville	Fred G. Flynn
Knoxville	C. A. Slocum
Lancaster	Luther E. Killian
Los Angeles	Elliott F. Avery
Louisville	S. C. Dudley
Milwaukee	F. U. Vass
Montreal	W. P. Heelan
Nashville	John R. Bray
New Haven	Clarence F. Emery
New York	Dr. Julius Seidl
Northern New Jersey	Roy Lally
Oklahoma City	Edgar R. Oppenheim
Philadelphia	Isadore Gecenok
Pittsburgh	Frank Sanford
Providence	Peter Freedman
Richmond	Charles M. Cox
Stamford	W. Gilbert Brooks
Toledo	D. R. Grandy
Trenton	M. Steven Sluka
Twin City	Otto Greven
Washington, D. C.	Ivan Asay
Western Mass.	Richard Wilson
Wilmington	Ivan Viele
Worcester	Alfred B. DePasse

●

CLEVELAND CHAPTER started its course in Advanced Time Study at a dinner meeting, January 16, with a talk by Phil Carroll on "Incentives for Cost Control." Thomas Banta, Supervisor of Methods and Standards, Oliver Corp., is the instructor.

The Management Bookshelf

Making Work Human

BY GLEN U. CLEETON

Antioch Press. 326 pp., $3.75

THE modern psychologist like Glen U. Cleeton of Carnegie Institute of Technology is turning to the study of management operations as a key to understanding the tensions and conflicts of our industrial society. While "scientific" or industrial management has contributed greatly to increases in production and wage payments, it has failed notably, Dr. Cleeton contends, in creating satisfaction for the worker, either in his job or in his daily life outside the factory.

The repetitive skills needed for mass production pace the worker to the machine. They require group discipline, the suppression of personality while at work. We know with greater certainty how a machine will act under given conditions than what to expect of the man who operates that machine.

The chief cause of this situation, Dr. Cleeton says, is the failure of management to understand human instincts, the stimuli to which men respond. Underscoring the conclusions of Elton Mayo, he perceives the need of workers to "belong"; to achieve dignity on the job, and pride in their skills; to be recognized as persons, not as numbers. Assembly line techniques can be made more meaningful, he holds, when men know what they are doing and why.

Human Engineering

Dr. Cleeton prescribes that engineers and industrialists concentrate on the study of human motivations and behavior—the "intangibles" of management—in order to reconcile and harmonize technical problems and personality problems to the efficiency and well-being of their organizations. He clarifies basic principles of "human engineering" and their general application in work situations. He analyzes the sources of job satisfaction and industrial harmony, and submits a program for getting people to work willingly.

Readers will not necessarily have to agree with all of Dr. Cleeton's diagnoses to realize the challenge of *Making Work Human.* It defines a basic problem of management today in its relation to the total economy. For younger executives particularly, it emphasizes the need for a re-examination and more intensive application of the philosophy of Frederick W. Taylor, a pioneer in studying the human side of men at their jobs.

ROBERT COUSINS
Editor
Executive Books, Inc.

Managerial Planning and Control

BY BILLY E. GOETZ

McGraw-Hill Book Co., $3.75

THIS is the best exposition of marginal cost theory as applied to practical business operations, which has come to the reviewer's attention. Dr. Goetz, whose experience includes both successful consulting and teaching, deals bluntly with the inadequacies of traditional accounting as a guide to management. Accounting procedures, he says, were influenced largely by auditors and specialists concerned and familiar rather with the problems of taxation, and verification of accounts, than with those of management.

Management problems are threefold:

(1) planning enterprise activities,
(2) controlling operations
(3) conducting social contacts.

The book deals principally with the first of these.

Intelligent planning involves visualizing practicable alternative courses of action and weighing the consequences of each as a basis for decision. Having once bought a machine, the decision whether or not to abandon it in favor of a lower-cost method rests not on what was paid for the machine, but on which of the alternatives (to use or replace the machine) presents the greater net advantage in terms of new costs and yields. Goetz presents well worked out examples of the application of this plan of analysis, such as comparison, based on a study made by him, of the costs of relocating a plant.

He also deals most convincingly with the problem of joint costs. How should the salary of a superintendent be charged to the costs of a product? The only realistic answer, in this and many similar cases, is to ask whether such a cost would be increased, and if so, by how much, if the product were added, or decreased if it were dropped. As Goetz says, such an analysis must consider long-run and secondary effects and intangibles as well as the more immediate and obvious costs, but the application of this method of analysis produces decisions profoundly different from and substantially more accurate than the traditional methods of burying such expenses in a burden account which is distributed on some traditional basis such as the labor hour. Such allocation is, in Goetz's opinion, nonsense from the standpoint of managerial accounting.

Emphasis on Yield

In dealing with the numerous and important joint costs of business operations, arbitrary allocations are almost meaningless. The correct solution is that which secures the largest total yield at the lowest total cost.

Thus in pricing, Goetz examines three possible bases for determining the lowest price at which new business will be accepted. The first of these is a "distress" basis. If volume is substantially below normal, any return from idle facilities which yields more than the bare out-of-pocket costs (considering intangibles) is better than none. A second situation assumes normal volume. Capital and organization attention will not be diverted to new products unless the yield is greater, all factors considered, than is presently being obtained. The third situation assumes overload conditions. Here, to be acceptable, the returns must more than cover all overtime, costs of confusion, new equipment and the like which will result from the addition of the new equipment. To assume normal burden costs is a seriously misleading error.

To accountants trained solely in the traditional procedures, the book will produce a feeling reminiscent of Alice in Wonderland, as she sipped from the little bottle which made her shrink, and nibbled the little cake which made her grow. But the complexities are inherent

in the situation rather than in the book, and in an age when businesses are so large and must so depend on accounting for guidance, it is imperative that the simplifications which have so long comforted the accountant, give way to more realistic, if more difficult analysis.

EXAMPLES AND FORMS

Goetz's diagnosis is thorough and convincing, and is supported by numerous and adequate illustrations which furnish an excellent guide to application. The prescription is less specific. Goetz makes the sound recommendation that primary transactions be recorded in even fuller detail than at present, so that the records will show each indivisible or homogeneous expense, value or income. He would eliminate many of the intermediate distribution accounts, which cost money and tend to bury facts rather than to facilitate their examination. He would then assemble the data for each important decision; he gives several examples of such *ad hoc* analyses and suggests forms for them, of a type familiar to those who have studied engineering economy. He also supplies forms for budgetary control, and reviews the basic assumptions of double-entry bookkeeping, which are not questioned. The reader is left to work out his own system with these examples as a guide.

So much for planning. Control of operations and social contacts may be more briefly dealt with, the former because it is mainly a review of accepted philosophies and the second because, while there is little quarrel with most of the positions taken, these positions seem rather a statement of personal convictions than conclusions from or corollaries of the argument.

Workmanship is excellent, both mechanically and in the close-packed, sinewy argument. Chapter 5, "*Physical Standards*" and Chapter 10, "*Managerial Control*", may be skimmed by the experienced reader, but for the rest, he will be reluctant to lay the book down till the very end. MANAGERIAL PLANNING AND CONTROL is an important book, a must for those who use or keep accounts.

H. P. DUTTON

POOR'S
REGISTER OF DIRECTORS AND EXECUTIVES . . .
1950 EDITION
JUST OFF THE PRESS

★ Gives more than 19,000 top executive (personnel) listings of leading corporations of the United States. Covers 80,000 individual executives with their home addresses, educational background, year and place of birth; and instant reference to interlocking directorates.

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Backgrounds of Power

BY ROGER BURLINGAME

Charles Scribner's Sons. 372 pp. $6

WHAT is the most useful definition of "the American Way"? For my money, there are four events, or forces, which have chiefly shaped the American culture, and most sharply differentiated it from other Western cultures. They are:

(1) A relatively empty continent with great natural resources, both agricultural and mineral, located in the temperate zone, where *homo sapiens* works best. There were probably not more than a million Indians north of the Rio Grande, when Captain John Smith landed in Virginia.

(2) A severe overall shortage of labor throughout most of American history, putting a premium on labor-saving devices.

(3) A mobile class structure—except for Negroes — permitting Americans to move up and down the ladder with relative freedom. Status has not been frozen as in so many other cultures: "log cabin to President" and "shirtsleeves to shirtsleeves" express the pattern.

(4) The development of mass production, and its proliferation into mass distribution, mass finance, mass transportation, mass consumption, and mass communication. Which means that Joe Doakes gets a break. The American Way is designed for Joe, the mass man, and is thus unique in human history. If Joe cannot clear the shelves of mass-produced articles—motor cars, radios, refrigerators, kilowatts, movie tickets, ice-cream cones — the American Way collapses; as it did from the stock market debacle of 1929 to the day when Mr. Roosevelt said that the only thing to fear is fear itself.

EARLY CLUES

Roger Burlingame, after an apprenticeship of two solid books on the machine age, "Engines of Democracy" and "March of the Iron Men," has tackled the tough problem of writing a history of mass production. And as the culture of a people is a seamless web, he has perforce included in his story all the points listed above. He picks up where Henry Adams left off in the study of the Dynamo, and also goes back to find many clues in earlier times which Adams had never heard about.

What is the quintessence of mass production? Here is his description of the Ford assembly line of 1914:

> The power-driven moving-chassis assembly line to which interchangeable parts were brought also by power-driven conveyors was a new construction of old techniques. It combined the abstractions of precision, standardization, interchangeability, synchronization, and continuity, into a concrete productive result never before attained in the fabrication of a highly complicated machine. As it met the American social trend, it caused a revolution in the social geography of the continent, and to some extent of the entire world.

ASSEMBLY LINE IN 1438

But the ideas behind this achievement are old, as Mr. Burlingame says; the Law of Social Change had seen to that. One idea turned up in Venice in 1438. When a war galley was to be equipped, it was towed along a canal with buildings on each side. From different windows came cordage, bread, guns, cutlasses, balistas, mortars, shot, powder, oars, and, finally men. "In this manner," says an old chronicle, "there came out

ten galleys, fully armed, between the hours of three and nine."

The ideas came from many cultures. America however produced not only the great creative act of combining them, but also a number of the seminal processes themselves. Our author names and describes: Eli Whitney's interchangeable parts for muskets, the Colt automatic, the McCormick harvester, the contribution of the Chicago packers and their belt conveyor, the flour-milling sequence, Connecticut metal clocks, the Springfield rifle, the turret lathe, steel making, the standardization movement, the scientific management of Frederick W. Taylor, the development of waterways, railway, highways to meet the acute need of an empty continent for transportation.

WAGES UP — PRICES DOWN

Ford not only revolutionized mass production, but laid the groundwork for a revolution in mass consumption, being intuitive enough to see that the first could not long exist without the second. He raised wages and cut prices — to the blanched horror of the business world of 1914. Some faces still go white at the thought. Yet how else could Joe Doakes, on $30 a week, drive a Model T?

The formula gave the worker the wherewithal to buy back what he produced. It is a massive, perhaps the chief, ingredient in the American Way, and the reason that America is structurally immune to Communism. It always will be, so long as the formula holds. Incidentally it won the war for us.

WEIGHING THE LIABILITIES

Mass production has its liabilities—the robot, the widening gulf between the scientist and the man on the street, loss of a sense of belonging, the threat of monopoly, the curse of Bigness — and our author briefly examines them in a final chapter. Another book could well be devoted to these liabilities for they are serious.

Mr. Burlingame has not written the definitive work on mass production because it is a continuing process; we have only seen its initial stages. Nobody has yet produced a desirable mass-produced house; nobody in his senses, however, doubts that one will come. But this is by all odds the best survey to date, philosophically as well as technically — a wise, learned, and stimulating book.

STUART CHASE

Reprinted from
"The Saturday Review of Literature."

Poor's Register of Directors and Executives, 1950 Edition.

This book has become such an accepted management tool that it has been taken for granted as standard equipment in most offices. Its general commercial uses are well known but it has many supplementary applications that should be of vital interest to the Industrial Engineer, the Controller, the Production Control and Purchasing Departments, and other similar service branches.

A recent survey reveals some of the less well-known uses for information contained in the Register as follows:

To determine technical officers and engineers who check on acceptability of specifications and proposals.
To obtain a quick picture of all competitive companies in a given industry or area.
Industrial promotion and planning —to selectively attract new industrial enterprises to a community or area.
To contact proper officials for development of group meetings, conventions, conferences, expositions, research, etc.
Research developments in connection with specific business negotiations.
Locating products, raw materials, substitute or emergency suppliers and contractors.
To determine industrial importance of a company by finding number of employes.

In addition to major executives formerly listed the 1950 edition shows Traffic Managers and Directors of Personnel.

E. BARTHEN

Use With Caution

Profit Sharing Manual. (A digest and analysis of 84 representative profit sharing plans.) 647 pages. Columbus, 1948: Council of Profit Sharing Industries. $30.00 ($10.00 to members and educational institutions).

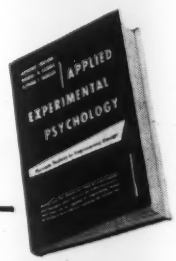
IT is both inevitable and desirable that, as industry experiences an extended period of relative prosperity, the attention of management should turn to payment plans that include employees in some sharing of the financial outcome, year by year, of the business as a whole. Prof. Sumner H. Slichter's dictum that, in a profit-motivated economy, profits have to be made popular is an astute comment on the psychological and economic roots of the stability and wide acceptance of the system.

This helps to explain the new focus of interest on profit-sharing and all its variants in recent years. It helps to account for the creation of the Council of Profit Sharing Industries, which is responsible, under its former Executive Secretary Robert S. Hartman, for the compilation of the present volume.

At this hour of our economic history it hardly needs saying that supplementary payment plans are not the simplest nor easiest procedures to adopt; nor are the results of their use inevitably favorable. Yet, despite history, the will to pioneer with payment sharings per-

(Continued on page 27, Column 3)

Takes over where motion and time study stops



APPLIED EXPERIMENTAL PSYCHOLOGY

Human Factors in Engineering Design

By A. Chapanis, W. R. Garner and C. T. Morgan

The central idea of this book is that more and better work can be done by machines when they are designed to fit the physical capacities of the human beings who run them. The authors describe the most useful statistical techniques in engineering psychology, including methods especially helpful in studying the performance of people who operate machines.

1949 434 pages $4.50

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Labor Roundup

By Paul A. King

Assistant to the Director of Personnel Administration of the Bigelow-Sanford Carpet Company; Member of the New York Bar

COVERED THIS MONTH

- **IT PAYS TO TELL WORKERS**
- **PENSIONS — WATCH FOR PITFALLS**
- **SLOGANS FOR SUGGESTION SYSTEMS**
- **WHEN IS A WORKER OLD?**

It Pays To Tell Employees

Time and time again you hear top management people say in public: "We must give our foremen information about our businesses so that they will feel that they are a part of management.

"We must tell them how our companies operate, what our plans are and otherwise take them into our confidences."

These people also say: "We must furnish our rank and file workers with similar information. Information of this kind will increase their interest in their jobs, in their companies, and in the American free enterprise system."

But in the privacy of their own offices you may find a few of our top management people saying: "We can't tell them this—our competitors may find out." Or—"Our workers have enough to do without having to read another bulletin." Or—"I am sure that they wouldn't be interested in it."

What Seems to be the Trouble? Back in their plants, a deeply entrenched conservatism appears to grab them by the coattails and whispers: "Be careful, you might be talking too much" or, living in an ivory tower, some may be very poor judges of what will not interest a worker.

Not Many Secrets. When you stop to think how many business activities are of real concern to our employees, relatively few items must be kept to ourselves because a competitor or a union may use them disadvantageously to us. The chances are that if we don't give our employees the facts, they'll operate on rumors and untruths that may be far more dangerous than the alternative.

What information can we give our employees? The answer depends upon the sincerity of the employer's desire to make his employees management conscious. Here is what a few earnest companies are doing.

Mimeographed Letters. There is very little—if anything—that the President of the SWARTWOUT COMPANY, Cleveland, keeps from his employees.

He has written them about a proposed change in the company's profit-sharing plan that had been discussed with the union, and his plans for putting the change into effect.

He wasn't timid in informing his people that, in a particular quarter business was good. And exactly how good. He indicated the number of shipments that were made and the backlog of orders that were on hand. He also revealed how the company's indebtedness had been reduced.

This information was furnished through a mimeographed letter that President D. K. Swartwout gets out whenever there is something of interest to discuss.

The General Shoe Story. Maxey Jarmin of General Shoe, Nashville, Tennessee, told his employees why the company doesn't keep a larger inventory on hand.

He described a "customer's clinic" which had been started to increase sales and a newly-formed customer-relations department which had a similar purpose.

Plans for tapping a new field of business were unfolded.

He explained to his employees why some of them had to work odd hours. He outlined some of the quality problems that the employees would be called upon to help solve.

All of this was done through a monthly mimeographed publication called "What's Going On."

Company Magazines. What is the purpose of psychological testing? What good are training programs? How is market research done? What is the value of planning?

The employees of MONSANTO CHEMICAL COMPANY find the answers to these questions in the company magazine. Each issue carries an article describing at length one of the tools of modern business. Each article is part of a series called "*Trends in Business.*"

The Pepconian. Why doesn't the Company set up some system whereby the employees would be able to purchase company stock?

Why is it almost impossible to attract a telephone operator in order to transfer an incoming call?

Why is one employee permitted to arrive at work any time he chooses?

Employees of the POTOMAC ELECTRIC POWER COMPANY, Washington, D.C., also find the answers to their questions in the company magazine, "*The Pepconian.*" But the answers are part of a feature called "*The Question Box*" to which employees address their questions. Executive Vice-President J. H. Ferry answers their questions with complete candor. Where a bad situation may be turned up, he is prompt to see to it that it is corrected.

Suppose You Can't Talk. LOCKHEED doesn't tell all. There are a *few* instances where it would be impractical for the employer to tell the complete story. Where this is so (and there shouldn't be very many instances of this kind) why not simply indicate why the story can't be told?

When the LOCKHEED Aircraft Company felt that it couldn't post employees on the results of their many negotiation sessions, it explained:

"Sure, the company or union from time to time could report what items have been discussed and what provisional agreements have been reached. But they wouldn't mean much. These tentative agreements might be thrown out in a future meeting after later developments show the desirability of changes.

"Even a mere listing of union and company proposals for contract changes is misleading. The very nature of collective bargaining calls for each side to yield on certain points. Neither side finally gets all it wishes."

The experiences of other companies that have been outlined above happened to come across the editor's desk recently. For the names of other companies that are doing equally fine jobs, write to him, attention ADVANCED MANAGEMENT.

Pitfalls in Pensions

Despite the interest in pension plans found in the newspapers, for a great many of us they are just additional items that we must negotiate on until the early hours

of the morning. Just more headaches.

Instead of the broad philosophical questions that are popular we will be faced with practical problems such as:

If a worker retires two months before he is to receive a vacation, does he get both pension benefits and the vacation?

Shall "call-in" or "Reporting" pay be counted when figuring pension benefits?

In a contributory plan, shall the employee's contributions be returned to him the day he is laid-off or only after the lapse of a specified time? Suppose his contributions had been returned to him and later on he was rehired? To what extent would he participate in the pension plan?

Red Flags. Arbitration awards and court decisions involving pension plans serve as red flags calling our attention to some of the difficulties faced by other employers.

For example, in one recent arbitration, an association of manufacturers claimed that the paper it signed was merely a memorandum evidencing an intent to negotiate on a pension plan at some future opportunity.

The union contended that it was an honest-to-goodness agreement to adopt the pension plan that the union was authorized to work out.

Arbitrator Jules Justin ruled that it was an agreement — as the union contended. (*N. Y. Fur Dealers Employer's Association Award.*)

When negotiating on pension plans, of course, be sure to know exactly what you are signing; but better than that, look up the dozen or so arbitration awards and court cases that reveal pitfalls faced by other employers.

A very helpful book illustrating some of the pitfalls to avoid in pension planning will be off the press early in March. The name of the book is *How to Plan Pensions — A Guide for Business and Industry,* (Mc-Graw-Hill) by Carroll W. Boyce, Associate Editor of *Factory Management and Maintenance.*

Slogans for Suggestion Systems

Suggestion systems are as successful as the effort we put into them.

To keep the interest in their suggestion system at a satisfactory level, the WILKENING MANUFACTURING COMPANY of Philadelphia runs slogans such as the following on their production cards:

"It pays to think . . . and suggest."

"You suggest . . . we'll pay."

"We don't know unless we try . . . suggest!"

Suggestions mean cash to you."

When is a Worker Old?

Until unions got into the pension planning picture, age 65 was considered a fair retirement age for men. Unions, however, injected the idea that perhaps a worker who is 65 years old might not be too old to work. Doctors began to tell us that retirement at age 65 might be assigning some workers to an untimely death.

Age 65 is an arbitrary retirement age. What is a more realistic one?

This is hard to determine. But some statistics of the Railroad Retirement Board are interesting.

Railroad employees have been covered by a pension plan for many years. Retirement is voluntary. Here is a table indicating the ages at which railroad employees *chose* to retire:

Year in which annuity began	*Average age of annuitant when annuity began (excludes disability annuitants)*
1936	70.0
1937	69.3
1938	67.8
1939	67.3
1940	67.1
1941	67.0
1942	67.0
1943	66.8
1944	66.8
1945	67.0
1946	67.3
1947	67.4
1948	67.4

In considering this table, keep in mind that during the war years effort was made to discourage retirements; and when the war was over, a high cost of living made retirement unattractive.

Management Bookshelf

(*Continued from Page 25, Column 3*)

sists and it therefore requires guidance. It requires an examination of success and failure, of methods as diverse as human ingenuity has been able to contrive.

This manual does not pretend to be a critique. It is rather a factual source book and as such offers a variety of accounts of a variety of methods extending all the way from actual profit-sharing, through employee stock ownership, to cost-saving and multiple management set-ups.

The manager or student who wants to get some introductory view of what has been done and of the myriad applications of a broad purpose that are possible will find this manual rewarding. But it should be used as a detailed guide with caution. Old-timers know that here is no panacea and that an established body of other personnel and union-relations policies have usually to be built strongly before this final and most refined area is contemplated or entered. Certain of the more critical considerations as set forth in Kenneth Thompson's *Profit Sharing* (reviewed here in June) have to be held in view as applied thinking about these measures goes on.

The search for practical applications of profit-sharing measures will continue and comparison of new with established plans is prudent if not imperative. It is this need that makes the present Manual a useful if not a final tool.

ORDWAY TEAD

MANAGEMENT'S RESPONSIBILITY

BUSINESS cannot escape much responsibility for its environment. Business managers have the responsibility of keeping the community friendly toward business.

This means that they must so understand the community, must be so interested in its problems and so sympathetic to efforts to find solutions to its problems that enterprises never have to operate in a hostile environment.

If this be true, business concerns need to have some top executives who are more than good administrators. A limited number of their executives, in addition to being good administrators, need to be students of conditions and ideas, capable of protecting business from the kind of blunders that created the present hostile environment for business, able to hold their own in intellectual competition with the best thinkers of this age, and qualified to assure that business contributes its proper share of the important ideas that determine the course of history.

SUMNER H. SLICHTER

(*From an address before the American Iron and Steel Institute, May 26, 1949.*)